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## Audit Committee

**Date:** May 11, 2020  
**Time:** 9:30 AM  
**Location:** Online Video Conference

### Members

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

Due to efforts to contain the spread of COVID-19 and to protect all individuals, the Council Chamber will not be open to the public to attend Council and Committee meetings until further notice.

**Public Comments:** Any member of the public interested in speaking to an item listed on the agenda may register at [dayna.obaseki@mississauga.ca](mailto:dayna.obaseki@mississauga.ca) by Friday, May 8, 2020 before 12:00 PM. Comments submitted will be considered as public information and entered into public record.

### Contact

Dayna Obaseki, Legislative Coordinator, Legislative Services  
905-615-3200 ext. 5425  
[dayna.obaseki@mississauga.ca](mailto:dayna.obaseki@mississauga.ca)

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 - December 2, 2019

5. **DEPUTATIONS**

5.1 Wesley Anderson, Manager, Financial & Treasury Services to present on the 2019 Financial Statements

Item 7.1

6. **PUBLIC QUESTION PERIOD - 15 Minute Limit**

The public may pre-register to speak at [dayna.obaseki@mississauga.ca](mailto:dayna.obaseki@mississauga.ca) by Friday, May 8, 2020 before 12:00 PM.

7. **MATTERS TO BE CONSIDERED**

7.1 2019 Financial Statements

7.2 2019 External Audit Findings Report

7.3 Contract Amendment for Statutory Audit Services Procurement

7.4 Status of Outstanding Audit Recommendations as of December 31, 2019

7.5 2019 – 2020 Internal Audit Work Plan Report

8. **ENQUIRIES**

9. **CLOSED SESSION - Nil.**

10. **ADJOURNMENT**

# City of Mississauga

## Minutes



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### Audit Committee

**Date**

2019/12/02

**Time**

9:21 AM

**Location**

Civic Centre, Council Chamber, 2<sup>nd</sup> Floor,  
300 City Centre Drive, Mississauga, Ontario, L5B 3C1

**Members Present**

Mayor Bonnie Crombie	Arrived at 9:26 AM
Councillor Stephen Dasko	Ward 1
Councillor Karen Ras	Ward 2
Councillor Ron Starr <b>(Chair)</b>	Ward 6

**Members Absent**

Councillor Dipika Damerla	Ward 7
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**Staff Present**

Janice Baker, City Manager and Chief Administrative Officer  
Geoff Wright, Commissioner, Transportation and Works  
Gary Kent, Commissioner, Corporate Services and Chief Financial Officer  
Jeff Jackson, Director of Finance and Treasurer  
Scott Anderson, Manager, Street Lighting and Projects  
Barb Webster, Senior Internal Audit, Internal Audit  
Mark Beauparlant, Senior Internal Audit, Internal Audit  
Kevin Travers, Partner KPMG LLP  
Allyson D'Ovidio, Legislative Coordinator, Legislative Services  
Dayna Obaseki, Legislative Coordinator, Legislative Services

**Find it online**

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

1. **CALL TO ORDER** – 9:21 AM2. **APPROVAL OF THE AGENDA**

Approved (Councillor Ras)

3. **DECLARATIONS OF CONFLICT OF INTEREST** – Nil.4. **MINUTES OF PREVIOUS MEETING**

## 4.1. Audit Committee Draft Minutes – September 23, 2019

Approved (Councillor Dasko)

5. **DEPUTATIONS**5.1. Kevin Travers, Partner KPMG LLP regarding the 2019 Audit Planning Report

Mr. Travers provided a brief overview on the 2019 Audit Planning Report highlighting the executive summary, fraud risks, and materiality. Mr. Travers noted that KPMG conducts consolidated group audits as well as single audits. He outlined the two major fraud risks that presumably exist are revenue recognition and management override controls. KPMG has designed procedures to mitigate these fraud risks to low levels and will be report back to the Audit Committee. Mr. Travers also noted the slight deduction in the materiality levels from the previous year as well as outlined the Audit Misstatement Posting Threshold (AMPT).

Chair Starr inquired what changes may occur with respect to handling audits from a digital advancement perspective. Mr. Travers responded by noting the current developments are utilizing automated systems for review and artificial drones to count inventory.

**RECOMMENDATION**

AC-0014-2019

That the deputation by Kevin Travers, Partner, KPMG LLP regarding the 2019 Audit Planning Report be received.

Received (Councillor Ras)

*Mayor Crombie arrived at the meeting at 9:26 AM during Item 5.1.*



## 5.2. Scott Anderson, Manager, Street Lighting & Projects to provide a Street Lighting Update

Mr. Anderson provided an update on the Street Lighting Program outlining the background, the 2018 Internal Audit Scope and the status of the 13 Recommendations. A pilot project was conducted in 2011 to demonstrate the energy savings of converting HPS (High Pressure Sodium) to LED (Light Emitting Diode) technology. The City's conversion began in 2012 and continued until 2018. As a result of the Streetlight Program Audit in 2018 – 13 recommendations were established.

Members of the Committee spoke to the matter and raised the following questions and concerns:

- The number of lights that always remain on/lit;
- The process for lights that are always off;
- Potential options;
- The length of the Diminoff contract;
- Types of contracts;
- The replacement backlog;
- Comparison between the previous and current system;
- Risk management associated with the location of the lights;
- Requested a Statistical Analysis Report on which lights are on and which are off; and
- Requested communication material for residents.

Mr. Anderson and Geoff Wright, Commissioner, Transportation and Works responded to questions from the Members of the Committee:

- Approximately 2500 (5% of) lights always remain on.
- Alectra has ten (10) days to respond to a light that is out by assessing whether it is a technical or operational issue. Depending on the assessment outcome will determine the solution timeline.
- The City of Mississauga has a steering committee that involves a number of staff from a variety of departments analyzing the current system feasibility. The City is currently working on a business case to be brought back to the Audit Committee in 2020.
- There are seven (7) years remaining with the Diminoff contract.
- The type of contracts are standard from a procurement perspective, however the focus is needed on the vendor, the technology, and the evaluation process.
- The current backlog is approximately 2500 lights that require replacement and/or assessment, the City's goal is to close the gap in 2020.
- The previous lighting system was simple, since it operated on fixed turned on and turned off times. The current system is more technologically advanced that operates in real time lighting based on the sunlight, which contributes to energy savings.
- There is a street light design that positions lighting in designated locations, which helps mitigates the risk management.

**Direction to staff** was given to provide a Statistical Analysis Report outlining the street lights that always remain on and that always remain off.

**Direction to staff** was given to create a written communication summary for the residents.

**RECOMMENDATION**

AC-0015-2019

That the deputation by Scott Anderson, Manager Street Lighting & Projects with respect to the Street Lighting Update be received.

Received (Councillor Ras)

**6. PUBLIC QUESTION PERIOD – 15 Minute Limit**

No members of the public requested to speak.

**7. MATTERS CONSIDERED**

**7.1. Report dated November 19, 2019 from the Commissioner of Corporate Services and Chief Financial Officer re: 2019 Audit Plan**

Gary Kent, Commissioner, Corporate Services and Chief Financial Officer noted this is the first year that the LAC (Living Arts Centre) has been consolidated into the City of Mississauga's financial statements.

No further discussion took place under this item.

**RECOMMENDATION**

AC-0016-2019

That the report dated November 19, 2019 from the Commissioner of Corporate Services and Chief Financial Officer titled "2019 Audit Plan", be received for information.

<b>RECORDED VOTE</b>	<b>YES</b>	<b>NO</b>	<b>ABSENT</b>	<b>ABSTAIN</b>
Mayor B. Crombie	X			
Councillor S. Dasko	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor D. Damerla			X	

Received (Councillor Dasko) (4, 0, 1 – Absent)

7.2. Report dated November 19, 2019 from the Information Technology Auditor re: Final Audit Reports

Barb Webster, Senior Internal Audit, Internal Audit presented on the Traffic Signals and Systems Program Audit. The focus of this audit was on business processes, compliance with contracts/agreements, payments and third party recoveries, inventory safeguarding, and energy management monitoring, as well as compliance with Provincial regulations, industry standards and applicable By-laws, Corporate Policies and Procedures. In total, the audit has resulted in twenty-four (24) recommendations and management has agreed to all of them. Eleven (11) recommendations are made regarding compliance with and clarification of corporate requirements, eight (8) recommendations are put forward to strengthen operational control and financial reporting, two (2) recommendations relate to improving the efficiency and effectiveness of business operations and three (3) relate to the safeguarding of assets and information. Eight (8) recommendations were completed during the audit, three (3) are scheduled for completion by the end of December 2019, eight (8) of the recommendations will be completed by March 31, 2020, four (4) by December 31, 2020 and one (1) date is yet to be determined as it necessitates discussion with staff in Energy Management to determine the scope of work required.

Members of the Committee spoke to the matter and raised the following questions and concerns:

- The increase in storage cost/rental space;
- The type of savings associated with the Tri-Party agreements;
- Whether the traffic system will be incorporated into the agreement with the GTAA (Greater Toronto Airport Authority);
- Data collection from Bluetooth technology;
- Whether the data collection is aggregated;
- Potential risk of privacy issues surrounding the collection;
- The lighting and sequencing systems capability; and
- The development requirement for synchronization – the management aspects and the amount.

Ms. Webster and Geoff Wright, Commissioner, Transportation and Works, Gary Kent, Commissioner, Corporate Services and Chief Financial Officer, and Janice Baker, City Manager and Chief Administrative Officer responded to questions from the Members of the Committee:

- The increase in storage cost and rental spaces are based on the general annual increase rates.
- The locates in tri-party agreements are all different rates depending on the locations, the emergency locates now have control pricing.
- The traffic system will not be included in the GTAA agreement.
- If an individual's Bluetooth technology is turned on the traffic system tracks the MAC (Media Access Control) address, however the server scrambles the data being collected.
- The data collected is aggregated as part of the pilot project that tracks the timestamp of check in and check out times, speed and distance to provide real time updates.

- A privacy assessment is recommended based on the data the City's servers are collected.
- The ATMS (Advanced Traffic Management System) controls the lightning and sequencing.
- The synchronization requirement for developers is outlined in the price through procurement, executed through the contract, and recovered from the developer.

**Direction to staff** was given that a Privacy Assessment should be conducted by Legislative Services/Clerks.

Mark Beauparlant, Senior Internal Audit, Internal Audit presented on the Stormwater Revenue Audit. The Stormwater Charge Program has sufficient controls implemented for the recording, monitoring and reconciliation of revenues. The program has evolved and grown over the past three years; we have made a number of recommendations to further strengthen the existing controls and processes, and are recommending some new controls. The recommendations are primarily administrative in nature and are intended to improve management oversight, strengthen processes, and provide clearer guidance to staff on business protocols and procedures to mitigate risks to the City. A total of 40 recommendations resulted from this audit. Seventeen (17) recommendations related to operational control and financial reporting, five (5) address compliance with and clarification of corporate requirements, three (3) improve safeguarding of assets and information, and fifteen (15) enhance efficiency and effectiveness. Management has agreed to all the recommendations and four (4) were completed during the audit. Three (3) recommendations will be completed by December 31, 2019, sixteen (16) by March 31, 2020, seven (7) by June 30, 2020, one (1) by September 30, 2020 and the remaining nine (9) by December 31, 2020.

Members of the Committee spoke to the matter and raised the following questions and concerns:

- Write offs amounts;
- The allocated interest with the Stormwater Capital Reserve Fund;
- How the access list is managed;
- Arrears; and
- The service level agreement with the Region of Peel and who approves the agreement.

Mr. Beauparlant and Geoff Wright, Commissioner, Transportation and Works, Gary Kent, Commissioner, Corporate Services and Chief Financial Officer, and Janice Baker, City Manager and Chief Administrative Officer responded to questions from the Members of the Committee:

- The write off amount is \$25 in the \$12,000 to \$15,000 range; usually this amount is associated with properties that have transferred ownership. The amounts in the middle of the \$25 to \$75 range; the City conducts some collection processes. Amounts over \$75 are sent out as notices and then added to the tax roll, if payment is not received.
- The City is going through a review of all the reserve funds. The potential interest that could be earned through these high volume reserves fund may be between \$400,000 to \$700,000. There are several reserves from different sources, that

- money is invested as a whole and the interest is given back as a whole and then the interest is allocated to the appropriate reserves.
- Managing and maintaining the security associated with the access lists is the business units' responsibility. The challenge becomes this is not always up to date and may need to be a Human Resource's responsibility. There are current new systems in place for employee transfers in the City, are being managed by Human Resources and Information Technology.
  - There is an appeal program and any uncollected debt will be added to the tax roll. The collection rate is quite high.
  - The service level agreement with the Region of Peel was signed in 2016 and currently being reviewed. Council approves all agreements and any major changes to pre-existing agreements.

#### **RECOMMENDATION**

AC-0017-2019

That the report dated November 19, 2019 from the Information Technology Auditor with respect to final audit reports:

1. Transportation & Works Department, Traffic Management and Municipal Parking Division – Traffic Signals and Systems Program Audit; and,
  2. Transportation & Works Department, Infrastructure Planning & Engineering Services Division – Stormwater Revenue Audit
- be received for information.

<b>RECORDED VOTE</b>	<b>YES</b>	<b>NO</b>	<b>ABSENT</b>	<b>ABSTAIN</b>
Mayor B. Crombie	X			
Councillor S. Dasko	X			
Councillor K. Ras	X			
Councillor R. Starr	X			
Councillor D. Damerla			X	

Received (Mayor Crombie) (4, 0, 1 – Absent)

8. **ENQUIRIES** – Nil.
9. **CLOSED SESSION** – Nil.
10. **ADJOURNMENT** – 10:41AM (Councillor Ras)

# 2019 Financial Results

Audit Committee

May 11, 2020



# Agenda

1. Financial Statements vs. Budget Book
2. Financial Assets
3. Non-Financial Assets
4. Financial Liabilities
5. Accumulated Surplus
6. Living Arts Centre
7. Revenues
8. Expenses
9. Q&A

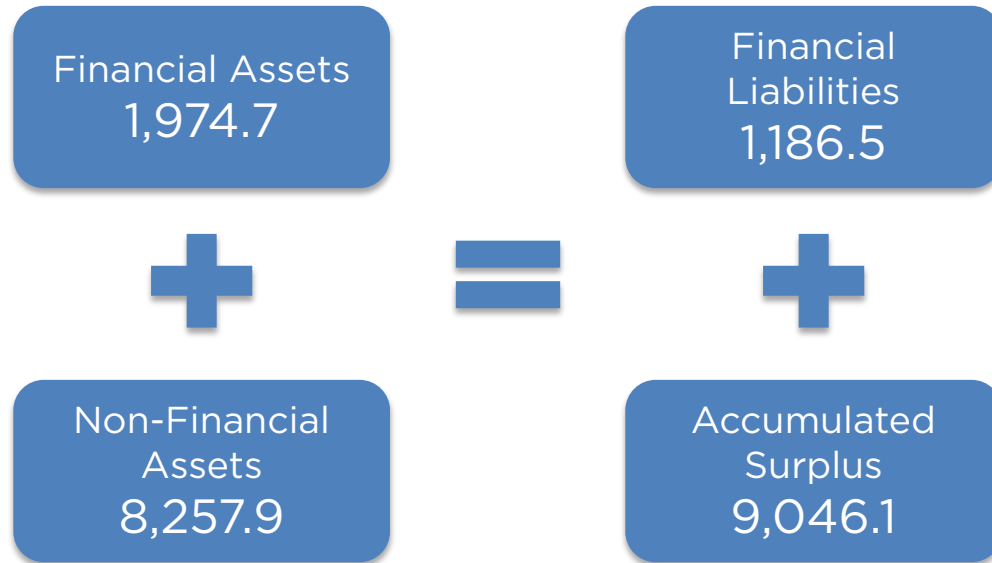
# Financial Statements vs. Budget Book

- City's Financials presented on an accrual basis, different than the annual budget approved by Council
- Amortization is not included in the budget
- Enersource, LAC and BIA financials
- Employment related liabilities



# 2019 Financial Overview (\$ millions)

## Statement of Financial Position

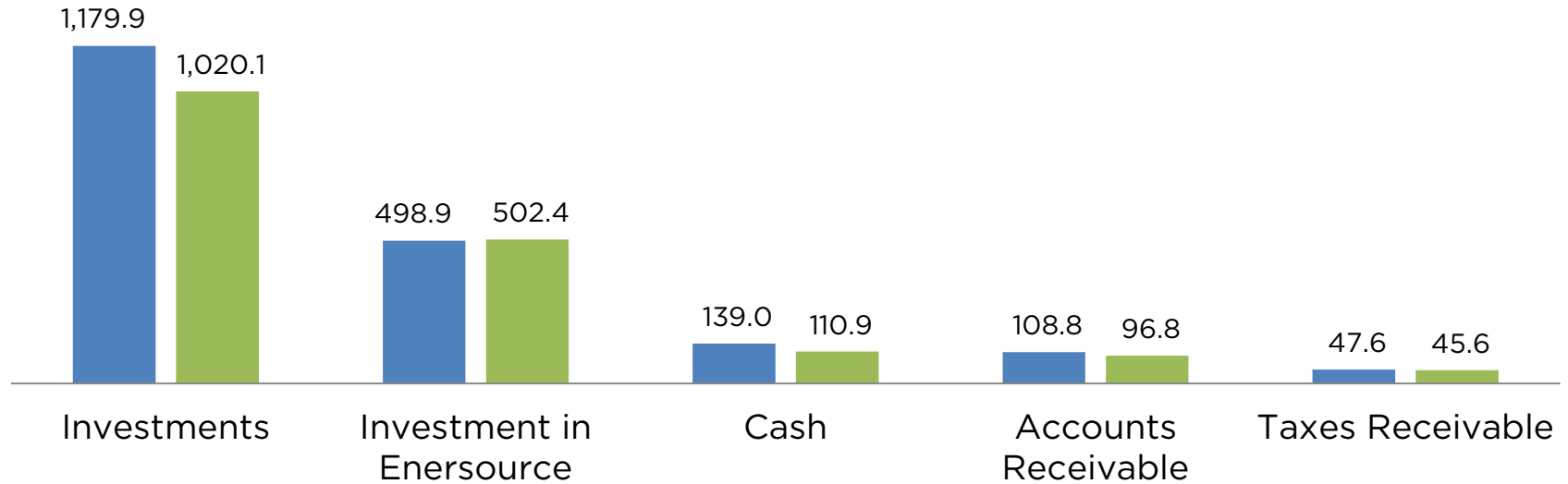


## Statement of Operations



# Financial Assets (\$1,974.7 million)

■ 2019 ■ 2018



## Investment in Enersource Corporation

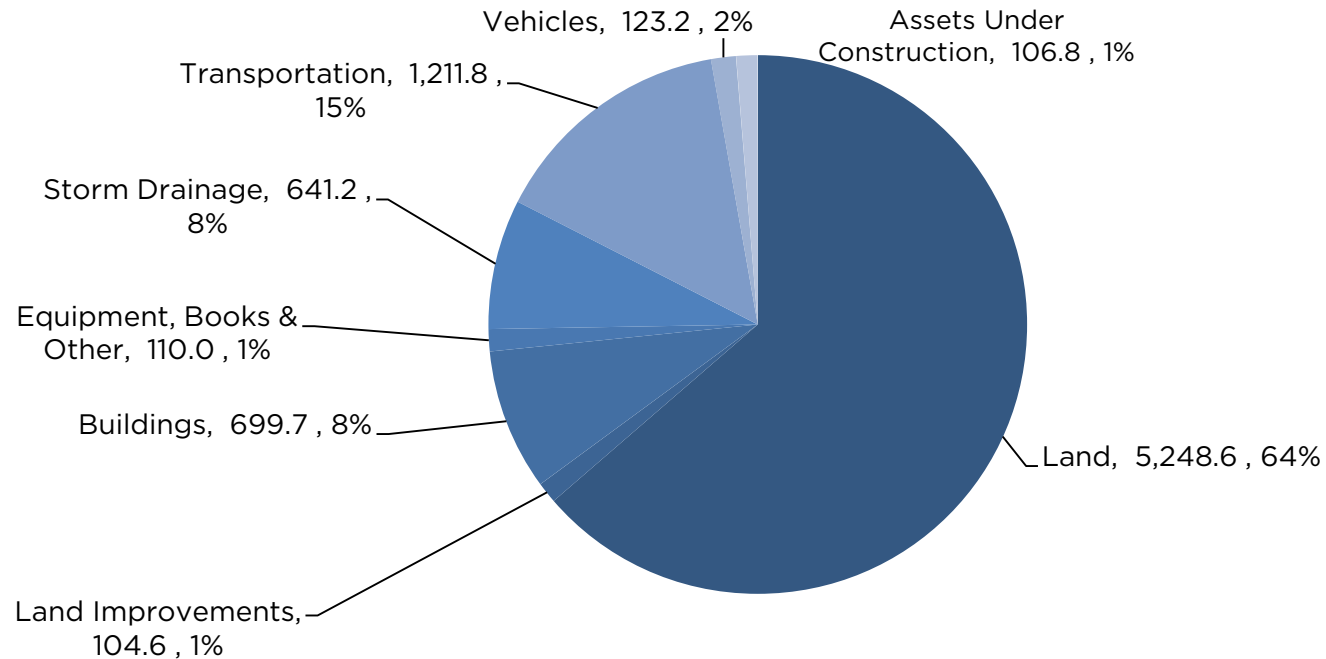
(\$million)	2019	2018
Opening Balance	502.4	485.0
Share of Net Income in Enersource Corp.	10.8	30.3
Share of gain recognized on Alectra's amalgamation with GHESI	1.3	-
City's Share of Divided	(15.7)	(12.9)
<b>Closing Balance</b>	<b>498.8</b>	<b>502.4</b>

Alectra amalgamation with Guelph Hydro Electric Systems Inc. ("GHESI") reduces Enersource's interest in Alectra from 31% to 29.57%

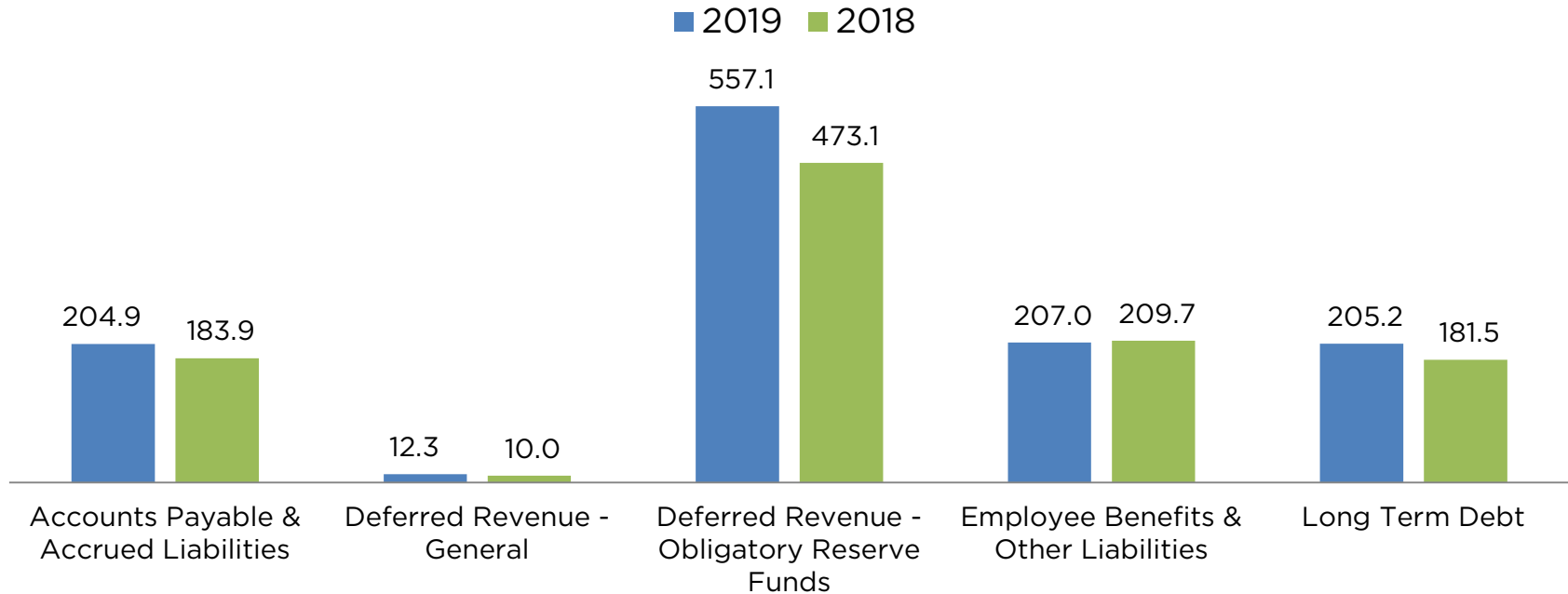


# Non-Financial Assets (\$8,257.9 million)

## Tangible Capital Assets (\$8,245.9 million)

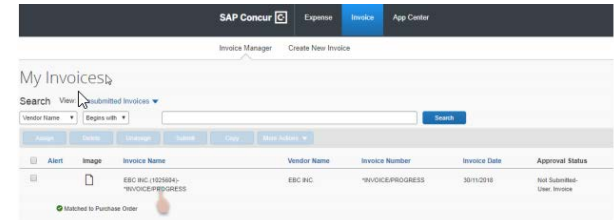


# Financial Liabilities (\$1,974.7 million)



# SAP Concur Invoice & Expense

- Automates the City's accounts payable workflows
- Increases transparency and visibility of invoices, PCard and out of pocket expenses
- Speeds up time to complete year-end accruals and reporting functions

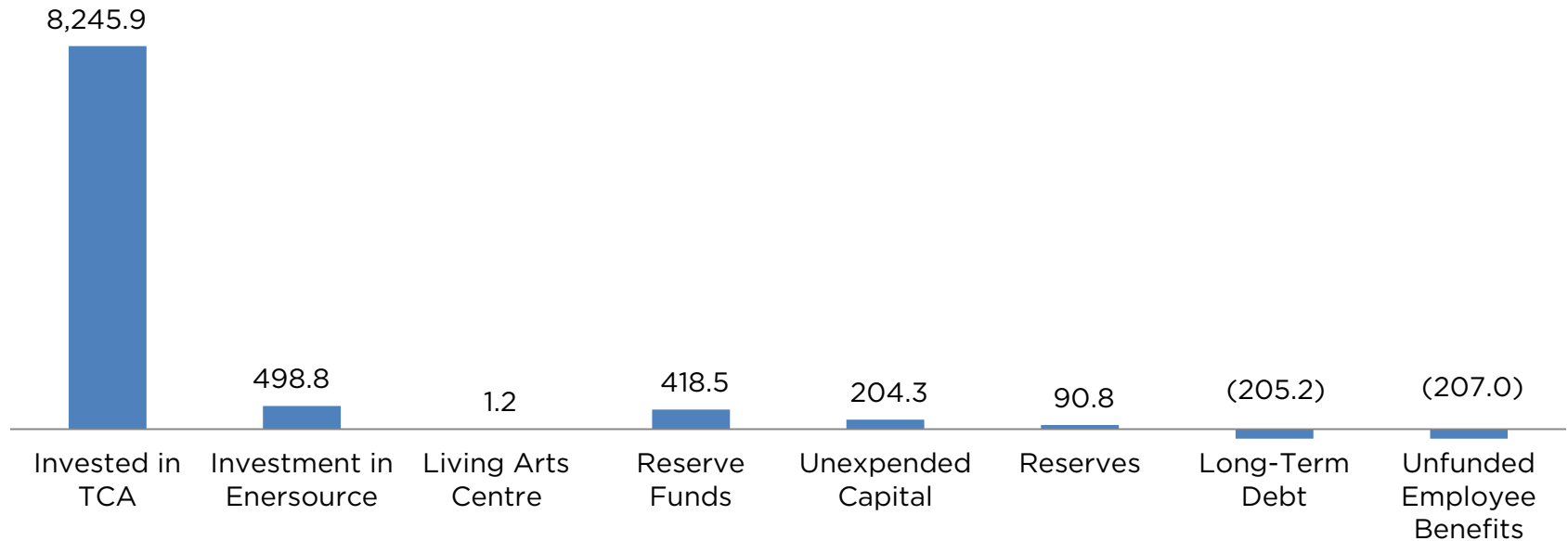


## Deferred Revenue-Obligatory Reserve Funds

Item (\$ Million)	2019	2018
Development Charges	182.7	167.1
CIL Parkland	133.0	115.4
CIL Parking	10.1	9.0
Bonus Zoning	2.3	2.7
Provincial Public Transit Funds and Gas Tax	44.6	36.4
Federal Public Transit Funds and Gas Tax	184.3	142.4
<b>Total Deferred Revenue - Obligatory Reserve Funds</b>	<b>557.1</b>	<b>473.1</b>

- Finance revised its accounting treatment of deferred revenues to include unspent capital funds from obligatory reserve funds in consultation with KPMG.
- This required a recast of 2018 financials in this category and developer and other contributions applied on the statement of operations.

# Accumulated Surplus (\$9,046.1 million)





# Living Arts Centre

Item (\$ Thousands)	September 30, 2019
Financial Assets	2,785
Financial Liabilities	2,832
Net Financial Liabilities	57
Non-Financial Assets	1,512
<b>Accumulated Surplus</b>	<b>1,455</b>



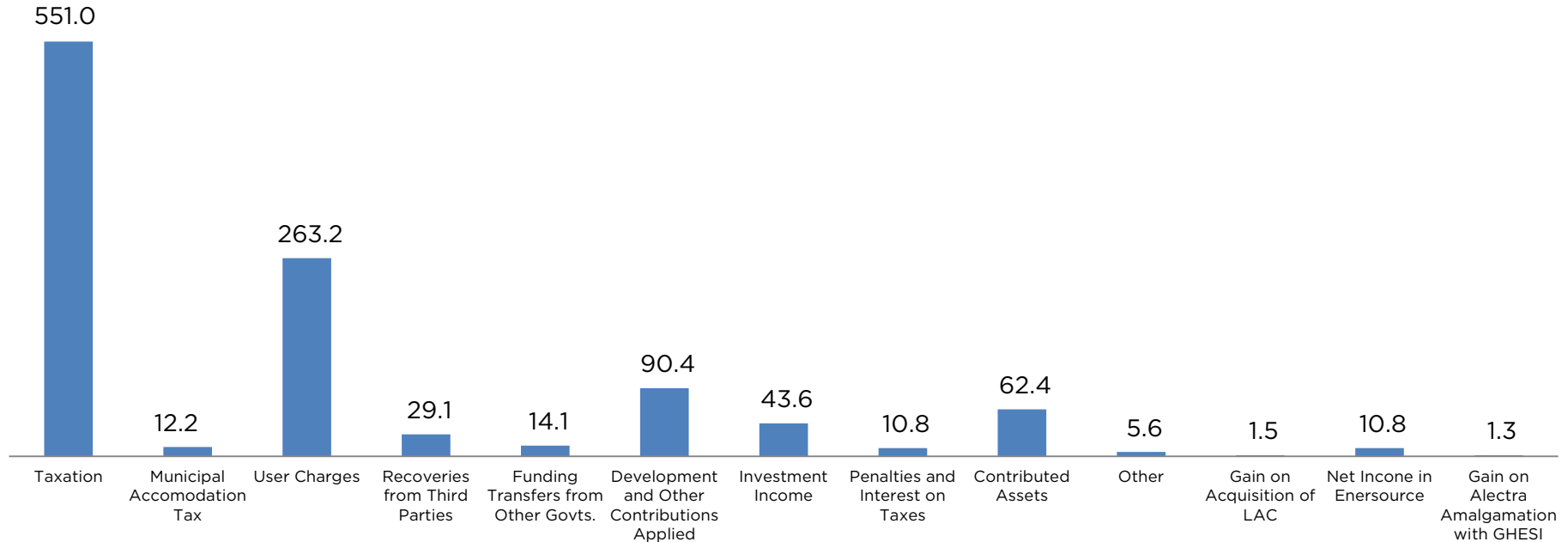
- On September 30<sup>th</sup>, 2019, the City assumed effective control of the Living Arts Centre.
- On control, the City acquired assets, assumed liabilities and responsibility to provide ongoing operations.

# Living Arts Centre Consolidation

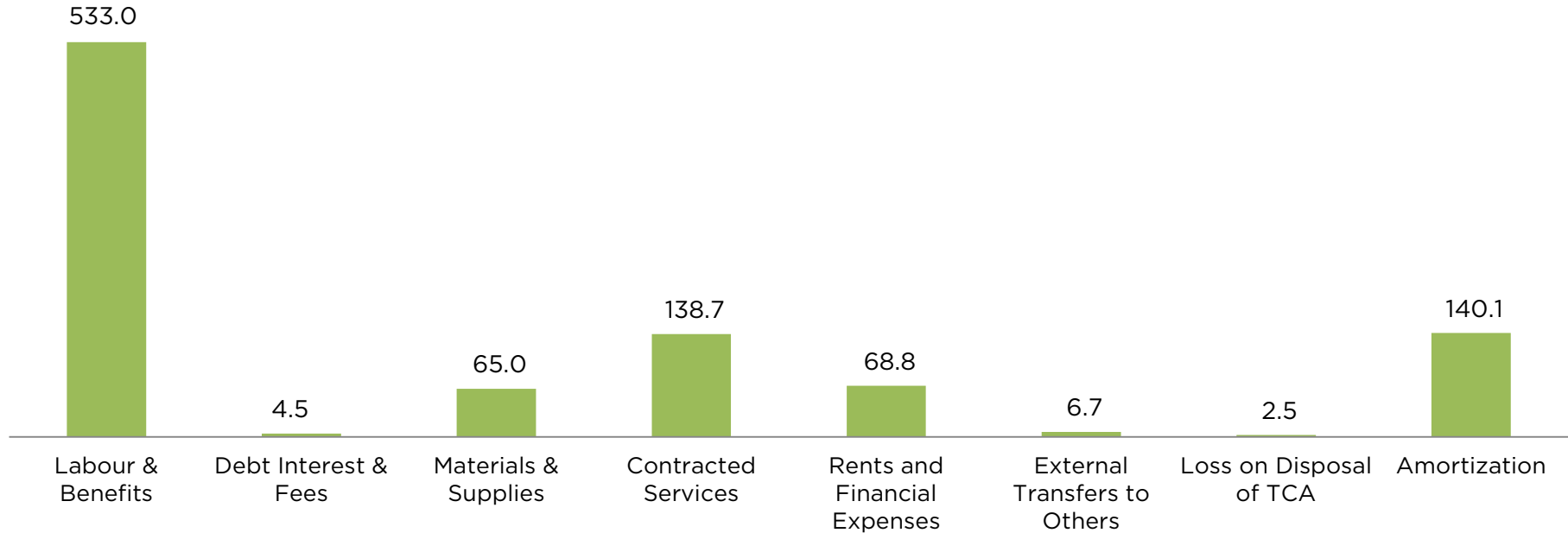
Item (\$ Thousand)	December 31, 2019	Item (\$ Thousand)	September 30, 2019 to December 31, 2019
Financial Assets	2,583	Total Revenues	2,049
Financial Liabilities	2,721	Total Expenses	1,929
<b>Net Financial Liabilities</b>	<b>138</b>	Surplus	<b>120</b>
Non-Financial Assets	1,713	Accumulated Surplus, On Acquisition	1,455
<b>Accumulated Surplus</b>	<b>1,575</b>	<b>Accumulated Surplus, end of year</b>	<b>1,575</b>

- Figures above are included in the City's consolidated financial statements from the date of effective control.
- Accounting for the LAC treated in accordance with Public Sector Accounting Board (PSAB) Standards

## 2019 Revenues (\$1,095.9 million)



## 2019 Expenses (\$959.4 million)



# Impacts of COVID-19 on City Financials

- The City has sufficient cash balances despite the projected loss of revenues and additional expenses being incurred throughout the pandemic. Cash flows are monitored on a daily basis.
- Likely increase in tax and other receivables as economic conditions deteriorate.
- Ultimate impact on the City's financial position is unknown at this time. Council to continue to be advised as issues and concerns arise.

# Questions?

# City of Mississauga Corporate Report



Date: May 1, 2020

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:  
May 11, 2020

## Subject

**2019 Audited Financial Statements**

## Recommendation

That the 2019 Audited Financial Statements for City of Mississauga (consolidated), City of Mississauga Public Library Board, City of Mississauga Trust Funds, Clarkson Business Improvement Area, Port Credit Business Improvement Area, Streetsville Business Improvement Area, Malton Business Improvement Area, and Enersource Corporation be received for information.

## 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 2019 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 the City's 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 fifth year of a five year contract, for the year-ends 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 organization. The information is to reflect the full nature and extent of the City's financial affairs. The Audited Financial Statements are a report card on the financial position, health and strength of the City of Mississauga. The 2019 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 2019 audited financial statements have been prepared on a different basis from the 2019 Annual Budget. Note 15 (Segmented by Service Area) within the financial statements reconciles the actual revenues and expenses with the Service Areas adjusted budget. Note 16 (Budget Data) also breaks down the approved budget with the adjusted budget reported in the audited financial statements. Separate schedules 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 (2019 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 2019 Annual Financial Report and 2019 Annual Popular Report (Financial Highlights) which will be available on the City's website.

This year, the City's Financial Statements include the financial activity for the Living Arts Centre, following the City's assumption for all operations and management of the facility.

For the 22<sup>nd</sup> 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 2018 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 third year in 2018, 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 2019 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 online and available on the City's website, [www.mississauga.ca/finance](http://www.mississauga.ca/finance) where it can be printed or read at their convenience.

### **Living Arts Centre**

This year, the City's Financial Statements include the financial activity for the Living Arts Centre, following the City's assumption for all operations and management of the facility.

Following Council's decision to terminate the Master Relationship Agreement between the City and the Living Arts Centre in Mississauga, the City assumed effective control of the Living Arts Centre, Live Cuisine Inc., and the Living Arts Centre on September 30<sup>th</sup>, 2019. As part of the acquisition of control, the City acquired the assets, assumed liabilities, immaterial leases and the responsibility to provide ongoing operations of the entities.

Note 22 provides details on the Living Arts Centre acquisition as part of the City's consolidated financial Statements.

**COVID-19**

The impacts of COVID-19 led to a number of challenges in the finalization of this year's external audit and completion of the financial statements. The impacts resulted in a 2 week delay as staff and KPMG adjusted to the situation, resulting in the rescheduling of Audit Committee from May 4<sup>th</sup> to May 11<sup>th</sup>. Note 23 (Subsequent Events and Contingencies) highlights the potential impacts of COVID-19 on the City's financial statements. At this point, the ultimate duration and magnitude of the pandemic's impact on the economy is not known at this time.

**Financial Impact**

The City's year-end audit fees for the 2019 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 29.57% owner of Alectra Inc. ("Alectra"), following Alectra's amalgamation with Guelph Hydro Electric Systems Inc.

The City's 90% interest in Enersource Corporation in 2019 was \$498.8 million (2018 \$502.4 million), a decrease of \$3.6 million and has been reported as a financial asset on the Consolidated Statement of Financial Position. The \$3.6 million decrease relates to a \$10.8 million share of net income in Enersource Corporation, plus a \$1.3 million dilution gain recognized on Alectra's amalgamation with GHESI, less the dividend paid to City of \$15.7 million. This income has been reported as revenue on the City's Consolidated Statement of Operations

**Conclusion**

The 2019 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, 2019 and the results of operations for the year then ended.

There were no concerns identified with the 2019 audit or financial statements. The City financial position remains healthy and strong through sound management practices and fiscal prudence.

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## Attachments

Appendix 1: 2019 Audited Financial Statements

Appendix 2: 2019 Financial Year in Review



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

Prepared by: Wesley Anderson, Manager, Financial & Treasury Services

# 2019 Audited Financial Statements

For the period ending December 31, 2019

**Prepared by:**

Finance Division, Corporate Services Department  
City of Mississauga

# 2019 Audited Financial Statements

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

**December 31, 2019**

The Corporation of the City of Mississauga  
December 31, 2019

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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, 2019
- the consolidated statement of operations for the year then ended
- the consolidated statement of change 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, 2019, and its consolidated results of operations, its consolidated change 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.





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### ***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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 1, 2020

# The Corporation of the City of Mississauga

## Consolidated Statement of Financial Position

as at December 31, 2019 with comparatives for 2018

(All dollar amounts are in \$000)

	2019 \$	2018 \$ Recast Note 2
<b>Financial Assets</b>		
Cash	139,017	110,925
Taxes receivable (Note 3)	47,597	45,567
Accounts receivable (Note 3)	108,819	96,795
Loans and other receivables	450	500
Inventories for resale	107	173
Investments (Note 4)	1,179,887	1,020,141
Investment in Enersource Corporation (Note 5)	498,783	502,361
<b>Total Financial Assets</b>	<b>1,974,660</b>	<b>1,776,462</b>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	204,908	183,942
Deferred revenue - general	12,277	10,021
Deferred revenue - obligatory reserve funds (Note 6)	557,057	473,066
Employee benefits and other liabilities (Note 7)	207,034	209,650
Long-term debt (Note 8)	205,193	181,491
<b>Total Financial Liabilities</b>	<b>1,186,469</b>	<b>1,058,170</b>
<b>Net Financial Assets</b>	<b>788,191</b>	<b>718,292</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 9)	8,245,855	8,180,906
Inventories of supplies	8,859	7,616
Prepaid expenses	3,160	2,760
<b>Total Non-Financial Assets</b>	<b>8,257,874</b>	<b>8,191,282</b>
<b>Accumulated Surplus (Note 10)</b>	<b>9,046,065</b>	<b>8,909,574</b>

Contractual Rights (Note 20)

Commitments (Note 21)

Subsequent Event and Contingencies (Note 23)

# The Corporation of the City of Mississauga

## Consolidated Statement of Operations

for the year ended December 31, 2019 with comparatives for 2018

(All dollar amounts are in \$000)

	Budget 2019 \$ (Note 16)	Actual 2019 \$	Actual 2018 \$ Recast Note 2
<b>Revenues (Notes 14 and 15)</b>			
Taxation (Note 11)	550,495	550,983	525,782
Municipal Accommodation Tax	9,800	12,152	8,990
User charges	246,332	263,215	258,215
Recoveries from third parties	5,300	29,117	12,991
Funding transfers from other governments (Note 19)	1,935	14,086	34,964
Development and other contributions applied	-	90,407	76,548
Investment income	36,511	43,607	35,305
Penalties and interest on taxes	8,120	10,806	9,805
Contributed assets (Note 9)	-	62,392	49,581
Other	1,706	5,604	20,158
Gain on Acquisition of Living Arts Centre (Note 22)	-	1,455	-
City's Share of Net Income in Enersource Corporation (Note 5)	-	10,758	30,268
City's Share of dilution gain recognized on Alectra's amalgamation with Guelph Hydro Electric Systems Inc. (GHESI) (Note 5)	-	1,324	-
<b>Total Revenues</b>	<b>860,199</b>	<b>1,095,906</b>	<b>1,062,607</b>
<b>Expenses (Note 14)</b>			
General government services	181,586	258,714	196,251
Protection services	139,351	135,446	133,209
Transportation services	353,961	345,613	341,197
Environmental services	21,496	18,121	22,998
Health services	647	560	557
Social and family services	760	638	648
Recreation and cultural services	176,725	174,978	170,252
Planning and development services	23,168	22,841	23,406
Loss on disposal of tangible capital assets (Note 9)	-	2,504	49,994
<b>Total Expenses (Notes 15 &amp; 17)</b>	<b>897,694</b>	<b>959,415</b>	<b>938,512</b>
<b>Annual Surplus/(Deficit)</b>	<b>(37,495)</b>	<b>136,491</b>	<b>124,095</b>
Accumulated surplus, beginning of year	8,909,574	8,909,574	8,785,479
<b>Accumulated Surplus, end of year (Note 10)</b>	<b>8,872,079</b>	<b>9,046,065</b>	<b>8,909,574</b>

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, 2019 with comparatives for 2018

(All dollar amounts are in \$000)

	Budget 2019 \$ (Note 16)	Actual 2019 \$	Actual 2018 \$ Recast Note 2
<b>Annual Surplus/(Deficit)</b>	<b>(37,495)</b>	<b>136,491</b>	<b>124,095</b>
Acquisition of tangible capital assets (Note 9)	-	(344,663)	(318,719)
Amortization of tangible capital assets (Note 9)	146,188	140,098	140,468
Loss on disposal of tangible capital assets (Note 9)	-	2,504	49,994
Transfer of assets under construction (Note 9)	-	137,112	61,089
	<b>108,693</b>	<b>71,542</b>	<b>56,927</b>
Acquisition of inventory of supplies	-	(8,859)	(7,616)
Acquisition of prepaid expenses	-	(3,160)	(2,760)
Consumption of inventory of supplies	-	7,616	6,670
Use of prepaid expenses	-	2,760	3,552
<b>Change in Net Financial Assets</b>	<b>108,693</b>	<b>69,899</b>	<b>56,773</b>
Net Financial Assets, beginning of year	718,292	718,292	661,519
<b>Net Financial Assets, end of year</b>	<b>826,985</b>	<b>788,191</b>	<b>718,292</b>

# The Corporation of the City of Mississauga

## Consolidated Statement of Cash Flows

for the year ended December 31, 2019 with comparatives for 2018

(All dollar amounts are in \$000)

	2019 \$	2018 \$
	Recast Note 2	
<b>Cash Provided By (Used In):</b>		
<b>Operating Activities</b>		
Annual surplus	136,491	124,095
<b>Items Not Involving Cash</b>		
Amortization of tangible capital assets	140,098	140,468
Loss on disposal of tangible capital assets	2,504	49,994
Contributed assets	(62,392)	(49,581)
Change in employee benefits and other liabilities	(2,616)	419
Equity in income of Enersource Corporation	(12,082)	(30,268)
<b>Change in Non-Cash Assets and Liabilities</b>		
Taxes receivable	(2,030)	(11,589)
Accounts receivable	(12,024)	33,256
Inventories for resale	66	52
Accounts payable and accrued liabilities	20,966	(29,318)
Deferred revenue - general	2,256	279
Deferred revenue - obligatory reserve funds	83,991	68,689
Inventories of supplies	(1,243)	(946)
Prepaid expenses	(400)	792
<b>Net Change in Cash from Operating Activities</b>	<b>293,585</b>	<b>296,342</b>
<b>Capital Activities</b>		
Tangible capital asset additions	(282,271)	(269,138)
Transfer of assets under construction	137,112	61,089
<b>Net Change in Cash from Capital Activities</b>	<b>(145,159)</b>	<b>(208,049)</b>
<b>Investing Activities</b>		
Increase in investments	(159,746)	(147,774)
Decrease in loans and other receivables	50	50
Dividends from Enersource Corporation	15,660	12,941
<b>Net Change in Cash from Investing Activities</b>	<b>(144,036)</b>	<b>(134,783)</b>
<b>Financing Activities</b>		
Proceeds from issuance of long-term debt	48,150	46,270
Repayment of long-term debt	(24,448)	(20,674)
<b>Net Change in Cash from Financing Activities</b>	<b>23,702</b>	<b>25,596</b>
<b>Net Change in Cash</b>	<b>28,092</b>	<b>(20,894)</b>
Cash, beginning of year	110,925	131,819
<b>Cash, end of year</b>	<b>139,017</b>	<b>110,925</b>

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, 2019**  
**(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
- Tourism Mississauga
- The Living Arts Centre in Mississauga (the "Living Arts Centre")
- Live Cuisine Inc.
- The Living Arts Centre Foundation

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.

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**1. Significant Accounting Policies**

**a) Basis of consolidation**

(iv) Trust funds

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

**b) Basis of accounting**

The City follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and 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 accommodation charges by accommodation 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 are deferred and recognized in revenues when used to fund the growth-related portion of qualifying capital projects, as required by the Act.

**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.



**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**1. Significant Accounting Policies**

**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) Inventories for resale**

Inventory is valued at the lower of cost and net realizable value.

**l) 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.

**m) 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.

**n) 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.

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**1. Significant Accounting Policies**

**o) 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.

**p) 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.

Note 7 provides disclosure regarding the nature, extent and sources of contaminated on City owned sites.

**q) 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:

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

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

**(ii) Contributions of tangible capital assets**

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

**(iii) Works of art and cultural and historic assets**

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

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**1. Significant Accounting Policies**

**q) Non-financial assets**

**(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.

**r) Contingent Assets**

PS 3320 requires disclosure of 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, and when the occurrence of a confirming future event is likely.

As at December 31, 2019, there are no such contingent assets to disclose.

**s) Contractual Rights**

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.

**t) Related Party Disclosures**

PS 2200 requires disclosure of related party transactions 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, 2019, there are no such related party transactions to disclose.

**u) Inter-Entity Transactions**

PS 3420 requires disclosure of transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. All City transactions are recorded at the exchange amount, being the amount agreed to by both parties.

For the year ended December 31, 2019, there were no material inter-entity transactions to disclose.

**v) 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 benefits. Actual results could differ from these estimates.

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**1. Significant Accounting Policies**

**w) Adoption of budgets**

The 2019 operating and capital budgets, as approved by Council, were adopted by the City at the February 06, 2019 meeting.

**x) Adoption of new accounting policy**

The City has adopted the following PSAB Standard effective January 1, 2019:

(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. The adoption of this standard resulted in additional note disclosure pertaining to the acquisition of the Living Arts Centre and its related entities. Refer to note 22 for the related disclosure.

**y) Future accounting pronouncements**

These standards and amendments were not yet effective for the year ended December 31, 2019, 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 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 standard 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 standard is effective for fiscal years beginning on or after April 1, 2021 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the City's December 31, 2022 year-end).

(ii) 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).

(iii) 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.

(iv) PS 3280, Asset Retirement Obligations, addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2021 (the City's December 31, 2022 year-end).

(v) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2022 (the City's December 31, 2023 year-end).

**2. Recast of Prior Year Comparative Figures**

The comparative information presented in the consolidated financial statements has been adjusted for immaterial prior period adjustments relating to deferred revenue - obligatory reserve funds reported in 2018. The comparative information has been adjusted to reflect an increase in deferred revenue - obligatory reserve funds of \$66,842 and an increase in development and other contributions applied revenue by \$3,283. The amount previously reported for deferred revenue - obligatory reserve funds was understated and the amount reported for development and other contributions applied revenue was overstated by the amount of unspent funds related to approved capital projects. Prior to January 1, 2018, amounts previously reported for development and other contributions applied revenues were overstated by \$70,125. These unspent funds were recognized as revenue in advance of when they were earned.

## Appendix 1

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**2. Recast of Prior Year Comparative Figures**

The impact of these changes has been adjusted and prior periods have been recast as follows:

	As previously reported \$	Recast adjustment \$	As recasted \$
<b>Consolidated Statement of Financial Position:</b>			
Deferred revenue - obligatory reserve funds at December 31, 2018	406,224	66,842	473,066
Total financial liabilities at December 31, 2018	991,328	66,842	1,058,170
Accumulated surplus at December 31, 2018	8,976,416	(66,842)	8,909,574
<b>Consolidated Statement of Operations:</b>			
Development and other contributions applied revenue for the year ended December 31, 2018	73,265	3,283	76,548
Total revenues for the year ended December 31, 2018 (as recasted before a reclassification of \$3,667)	1,055,657	3,283	1,058,940
Annual surplus for the year ended December 31, 2018	120,812	3,283	124,095
Accumulated surplus at January 1, 2018	8,855,604	(70,125)	8,785,479
Accumulated surplus at December 31, 2018	8,976,416	(66,842)	8,909,574
<b>Consolidated Statement of Cash Flows:</b>			
Annual surplus for the year ended December 31, 2018	120,812	3,283	124,095
Deferred revenue - obligatory reserve funds for the year ended December 31, 2018	71,972	(3,283)	68,689

**3. Taxes Receivable and Accounts Receivable**

Taxes receivable are reported net of valuation allowances of \$182 (2018 \$170). Accounts receivable are reported net of a valuation allowance of \$546 (2018 \$3,544) and comprises the following:

	2019 \$	2018 \$
<b>Accounts Receivable</b>		
Government of Canada	25,635	25,942
Government of Ontario	24,399	17,168
Other Municipalities	24,026	21,040
School Boards	7,311	12,366
Others	27,994	23,823
<b>Sub-Total</b>	<b>109,365</b>	<b>100,339</b>
Less: Valuation Allowance	546	3,544
<b>Total Accounts Receivable</b>	<b>108,819</b>	<b>96,795</b>

**4. Investments**

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

	2019		2018	
	Cost \$	Market Value \$	Cost \$	Market Value \$
Bank deposit notes and finance paper	204,073	205,307	186,031	185,949
Government and government guaranteed bonds	772,784	802,939	708,731	720,271
Municipal bonds	203,030	207,863	125,379	127,272
<b>Total</b>	<b>1,179,887</b>	<b>1,216,109</b>	<b>1,020,141</b>	<b>1,033,492</b>

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**5. Investment in Enersource Corporation**

The City has a 90 per cent interest in Enersource Corporation (the "Corporation") which is accounted for on the modified equity basis in these consolidated financial statements.

Enersource acts as a holding company whereby the Corporation's principal business activity is represented by its equity interest in Alectra Inc. ("Alectra"). Dividends are received from Alectra. The Corporation also distributes dividends to its shareholders. Alectra's primary businesses are to distribute electricity to customers in the greater golden horseshoe area, as well as provide non-regulated energy services. As at December 31, 2019, Enersource's interest in Alectra was 29.57% (2018- 31%).

On January 1, 2019, Alectra amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). As a result of this amalgamation, Enersource's interest in Alectra was reduced to 29.57%.

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 2019 fiscal year, together with comparative figures for 2018:

	2019	2018
	\$	\$
<b>Financial Position:</b>		
<b>Assets:</b>		
Current	6,967	4,378
Investment in Alectra Inc.	600,243	609,060
Other	148	405
<b>Total Assets</b>	<b>607,358</b>	<b>613,843</b>
<b>Liabilities:</b>		
Current	30	39
Non-current liabilities	53,125	55,625
<b>Total Liabilities</b>	<b>53,155</b>	<b>55,664</b>
<b>Shareholders' Equity:</b>		
Share capital	175,691	175,691
Accumulated other comprehensive income/(loss)	(6,108)	(1,672)
Retained earnings	384,620	384,160
<b>Total Shareholders' Equity</b>	<b>554,203</b>	<b>558,179</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>607,358</b>	<b>613,843</b>
<b>Results of Operations and Non-Operations:</b>		
Revenues	18,195	35,177
Expenses (including income tax provision)	6,242	1,546
<b>Net Income</b>	<b>11,953</b>	<b>33,631</b>
<b>City's Share of Net Income in Enersource Corporation</b>	<b>10,758</b>	<b>30,268</b>
<b>Dilution gain recognized on Alectra's amalgamation with GHESI</b>	<b>1,471</b>	<b>-</b>
<b>City's Share of dilution gain recognized on Alectra's amalgamation with GHESI</b>	<b>1,324</b>	<b>-</b>

During the year, the City received a dividend of \$15,660 (2018 \$12,941) declared by Enersource Corporation.

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**5. Investment in Enersource Corporation**

The City's investment in Enersource Corporation is reflected in the following table for its 2019 fiscal year together with comparative figures for 2018.

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Investment in Enersource Corporation</b>		
Opening Balance, Beginning of Year	502,361	485,034
City's Share of Net Income in Enersource Corporation	10,758	30,268
City's Share of dilution gain recognized on Alectra's amalgamation with GHESI	1,324	-
City's Share of Dividend	(15,660)	(12,941)
<b>Closing Balance, End of Year</b>	<b>498,783</b>	<b>502,361</b>

**6. Deferred Revenue - Obligatory Reserve Funds**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
		<b>as recast</b>
Development charges	182,735	167,117
CIL Parkland	132,956	115,450
CIL Parking	10,069	9,035
Bonus Zoning	2,346	2,650
Provincial Public Transit Funds and Gas Tax	44,616	36,384
Federal Public Transit Funds and Gas Tax	184,335	142,430
<b>Total Deferred Revenue - Obligatory Reserve Funds</b>	<b>557,057</b>	<b>473,066</b>

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

	<b>Opening</b>	<b>Receipts and</b>		<b>Recognized as</b>	<b>Closing</b>
	<b>Balance</b>	<b>Interest</b>		<b>Revenue</b>	<b>Balance</b>
	<b>\$</b>	<b>Applied</b>	<b>Refunds</b>	<b>\$</b>	<b>\$</b>
<b>Source</b>	<b>as recast</b>				
Development charges	167,117	74,146	27,481	31,047	182,735
CIL Parkland	115,450	34,040	9	16,525	132,956
CIL Parking	9,035	1,565	-	531	10,069
Bonus Zoning	2,650	80	50	334	2,346
Provincial Public Transit Funds and Gas Tax	36,384	20,264	-	12,032	44,616
Federal Public Transit Funds and Gas Tax	142,430	83,656	-	41,751	184,335
<b>Total</b>	<b>473,066</b>	<b>213,751</b>	<b>27,540</b>	<b>102,220</b>	<b>557,057</b>

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**7. Employee Benefits and Other Liabilities**

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

	2019 \$	2018 \$
WSIB	32,380	28,630
Sick leave benefits	15,166	14,414
Early retirement benefits	40,333	39,488
Post-employment benefits	8,226	9,279
Vacation pay	25,912	24,989
Developer charge credits	44,984	57,682
Contaminated sites liability	365	606
Other liabilities	39,668	34,562
<b>Total</b>	<b>207,034</b>	<b>209,650</b>

The City has established reserve funds of \$144,353 (2018 \$136,210) 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 2019, 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 2019, 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 2019, 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 2019, 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 \$	2019 Total \$	2018 Total \$
Accrued Benefit Liability, Beginning of Year	28,630	14,414	39,488	9,279	91,811	88,973
Service cost	3,506	1,584	1,732	262	7,084	6,783
Interest cost	1,396	811	1,463	191	3,861	3,802
Amortization of actuarial (gain)/loss	1,084	1,115	(356)	(538)	1,305	1,287
Benefit payments	(3,735)	(2,758)	(1,994)	(968)	(9,455)	(9,034)
Increase due to plan amendment	1,499	-	-	-	1,499	-
<b>Accrued Benefit Liability, End of Year</b>	<b>32,380</b>	<b>15,166</b>	<b>40,333</b>	<b>8,226</b>	<b>96,105</b>	<b>91,811</b>
Unamortized actuarial (gain)/loss	11,748	9,148	1,290	(706)	21,480	8,942
<b>Actuarial valuation update, end of year</b>	<b>44,128</b>	<b>24,314</b>	<b>41,623</b>	<b>7,520</b>	<b>117,585</b>	<b>100,753</b>
Expected average remaining service life	11 yrs	13 yrs	13 yrs	8 yrs	n/a	n/a



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**7. 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	3.50%	3.50%	3.50%	3.25%	3.25%
Expected health care increases	3.75%	n/a	6.75%	6.75%	n/a

e) Other pension plans:

The City makes contributions to OMERS, a multi-employer plan, on behalf of 5,087 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 \$57,400 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 \$57,400 at a rate of 15.8 per cent for earnings greater than the annual maximum pensionable earnings.

The amount contributed to OMERS for 2019 was \$41,035 (2018 \$41,328) for current service and is included as an expense on the consolidated statement of operations. Employees' contributions to OMERS in 2019 totalled \$41,039 (2018 \$41,331).

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 2019 dropped to \$3.4 billion (2018 \$4.2 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 in 2019 at the 2016 rates 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, 2019, the developer charge credit liability is \$44,984 (2018 \$57,682).

g) The City is responsible for the remediation of contaminated sites that are no longer in productive use where the City is directly responsible or has accepted responsibility for remediation. A provision for future clean-up costs and monitoring has been accrued based on environmental assessments.

The liability for contaminated sites includes sites associated with former industrial operations. The nature of contamination includes polycyclic aromatic hydrocarbons, heavy metals and road salts. The sources of the contamination include, but are not limited to, activities related to historical operations and non-sanctioned activities on City land. Sites often have multiple sources of contamination.

From time to time, there may be uncertainty as to whether the City has a legal responsibility or accepts responsibility for a contaminated site or whether economic benefits will be foregone for a contaminated site. It is not expected that the impact of any such sites would have a material impact on the consolidated financial statements. When the City is able to determine that all inclusion criteria have been met, the City will accrue a liability for these future remediation costs. As at December 31, 2019, the amount of estimated recoveries is \$0 (2018 – \$0).

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**8. Long-term Debt**

The long-term debt reported on the consolidated statement of financial position of \$205,193 was issued by the Region. Of the debt issued in 2013, \$17,600 is outstanding; of the debt issued in 2014, \$16,500 is outstanding, of the debt issued in 2015, \$24,000 is outstanding; of the debt issued in 2016, \$26,500 is outstanding; of the debt issued in 2017, \$31,000 is outstanding; of the debt issued in 2018, \$41,443 is outstanding; all of the debt issued in 2019, \$48,150 is outstanding as at December 31, 2019.

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; principal payments on the 2018 debt are payable on March 27th; and principal payments on the 2019 debt are payable on October 15th.

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 1.45 to 3.30 per cent.

Principal payments are repayable annually as follows:

	<b>Total \$</b>
2020	28,759
2021	29,112
2022	29,927
2023	27,755
2024	22,995
Thereafter	66,645
<b>Total</b>	<b>205,193</b>

Interest expense and fees of \$4,507 (2018 \$4,467) are reported in the consolidated statement of operations.

**9. Tangible Capital Assets**

a) Assets under construction:

Assets under construction having a value of \$106,841 (2018 \$182,674) 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 \$62,392 (2018 \$49,581) comprising infrastructure in the amount of \$0 (2018 \$1,629) and land in the amount of \$62,392 (2018 \$47,952).

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 (2018 \$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 \$46,452 (2018 \$88,864) (land \$222; buildings \$0; land improvements \$2,058; equipment, books and other \$34,579; linear transportation \$526; linear storm drainage \$0 and vehicles \$9,067) less the accumulated amortization of \$43,948 (2018 \$38,870) resulted in a loss on disposal of \$2,504 (2018 \$49,994).

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**9. Tangible Capital Assets**

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.

**2019 Tangible Capital Assets**

<b>Cost</b>	<b>December 31, 2018</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2019</b>
	\$	\$	\$	\$
Land	5,173,079	75,734	222	5,248,591
Land improvements	207,529	13,782	2,058	219,253
Buildings	1,122,661	14,882	-	1,137,543
Equipment, books and other	302,405	30,279	34,579	298,105
Linear - storm drainage	863,268	34,769	-	898,037
Linear - transportation	2,159,658	89,030	526	2,248,162
Vehicles	306,682	24,908	9,067	322,523
Assets under construction	182,674	61,279	137,112	106,841
<b>Total</b>	<b>10,317,956</b>	<b>344,663</b>	<b>183,564</b>	<b>10,479,055</b>

<b>Accumulated Amortization</b>	<b>December 31, 2018</b>	<b>Amortization Expense</b>	<b>Disposals</b>	<b>December 31, 2019</b>
	\$	\$	\$	\$
Land	-	-	-	-
Land improvements	108,266	8,293	1,935	114,624
Buildings	408,156	29,705	-	437,861
Equipment, books and other	197,501	23,383	32,748	188,136
Linear - storm drainage	248,272	8,590	-	256,862
Linear - transportation	985,742	50,973	313	1,036,402
Vehicles	189,113	19,154	8,952	199,315
Assets under construction	-	-	-	-
<b>Total</b>	<b>2,137,050</b>	<b>140,098</b>	<b>43,948</b>	<b>2,233,200</b>

<b>Net Book Value</b>	<b>December 31, 2018</b>	<b>December 31, 2019</b>
	\$	\$
Land	5,173,079	5,248,591
Land Improvements	99,263	104,629
Buildings	714,505	699,682
Equipment, books and other	104,904	109,969
Linear - storm drainage	614,996	641,175
Linear - transportation	1,173,916	1,211,760
Vehicles	117,569	123,208
Assets under construction	182,674	106,841
<b>Total</b>	<b>8,180,906</b>	<b>8,245,855</b>

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**10. Accumulated surplus**

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Surplus:</b>		
<b>Invested in Tangible Capital Assets</b>		
Invested in tangible capital assets	8,245,561	8,180,762
Business Improvement Area tangible capital assets	294	144
<b>Total Invested in Tangible Capital Assets</b>	<b>8,245,855</b>	<b>8,180,906</b>
Unexpended capital	204,257	145,032
Long-term debt	(205,193)	(181,491)
Enersource Corporation	498,783	502,361
Living Arts Centre	120	-
Unfunded employee benefits	(207,034)	(209,650)
<b>Total Surplus</b>	<b>8,536,788</b>	<b>8,437,158</b>
<b>Reserves Set Aside by Council:</b>		
Fiscal Stability Reserve	51,253	46,773
Operating Reserves	33,644	27,059
Stormwater Reserve	5,442	6,684
BIA Reserves	411	354
<b>Total Reserves</b>	<b>90,750</b>	<b>80,870</b>
<b>Reserve Funds Set Aside for Specific Purposes by Council:</b>		
Tax Reserve Funds	190,846	174,385
Stormwater Reserve Funds	40,756	44,287
Lot Levy Reserve Funds	62,868	60,672
Insurance Reserve Funds	45,891	39,139
Employee Benefits Reserve Funds	35,594	36,399
Development Contributions	21,444	24,330
Other Reserve Funds	21,128	12,334
<b>Total Reserve Funds</b>	<b>418,527</b>	<b>391,546</b>
<b>Total Accumulated Surplus</b>	<b>9,046,065</b>	<b>8,909,574</b>

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**11. Taxation**

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

	2019 \$	2018 \$
Municipal, region and school property taxes	1,723,712	1,677,554
Payments in lieu of property taxes	35,385	33,355
<b>Total Property Taxes Collected</b>	<b>1,759,097</b>	<b>1,710,909</b>
Payments to Region and school boards	(1,208,114)	(1,185,127)
<b>Net Property Taxes and Payments in Lieu Available for Municipal Purposes</b>	<b>550,983</b>	<b>525,782</b>

**12. Trust funds**

Trust funds administered by the City amounting to \$1,140 (2018 \$900) 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 cemetery perpetual care of \$919 (2018 \$900) and election trust funds of \$221 (2018 \$0).

**13. Contingent liabilities & guarantee**

a) As at December 31, 2019, 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, Enersource Corporation became a shareholder 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, 2019 is \$53,125 (2018 \$55,625).

**14. Segmented information**

Segmented information has been identified based upon lines of service provided by the City. City services are provided by departments and their activities are reported by functional areas in the 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, Office of the City Clerk, Finance, Information Technology, Facilities and Property Management, Revenue, Materiel Management, Legal, and Strategic 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.

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**14. 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 Services, and Provincial Offences Administration.

c) Transportation Services:

The Transportation Services segment comprises the following service areas: Road services including road maintenance, public works, street cleaning, traffic operations, planning, engineering and development, Winter maintenance control, MiWay Transit, and Street lighting.

d) Environmental Services:

The Environmental Services segment comprises primarily Storm Sewer Services. The City's Stormwater program manages the overall health and maintenance of creeks, rivers, and water channels in Mississauga. Water and sanitary sewer services are provided by the Region of Peel.

e) Health Services:

The Health Services segment comprises primarily the maintenance and operation of City-owned and managed cemeteries.

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 services: Parks, Forestry and Environment, Recreation Programs, Recreation Facilities, Marinas and Golf Courses, Libraries, Museums, the Living Arts Centre, 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. 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 Segmented Information table.

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.

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**14. Segmented information**

2019											
	General Government Services \$	Protection Services \$	Transportation Services \$	Environmental Services \$	Health Services \$	Social and Family Services \$	Recreation and Cultural Services \$	Planning and Development Services \$	Other \$	2019 Total \$	2018 Total \$
<b>Revenues:</b>											
Taxation	549,536	-	-	-	-	-	-	1,447	-	550,983	525,782
Municipal Accommodation Tax	12,152	-	-	-	-	-	-	-	-	12,152	8,990
User charges	8,673	31,881	119,374	40,143	112	164	55,959	6,909	-	263,215	258,215
Recoveries from third parties	757	321	26,948	203	-	-	875	13	-	29,117	12,991
Funding transfers from other governments	430	-	10,605	678	4	-	2,109	260	-	14,086	34,964
Development and other contributions applied	-	-	-	-	-	-	-	-	90,407	90,407	76,548
Investment income	14,472	-	-	-	32	-	13	-	29,090	43,607	35,305
Penalties and interest on taxes	10,806	-	-	-	-	-	-	-	-	10,806	9,805
Contributed assets	-	-	-	-	-	-	-	-	62,392	62,392	49,581
Other	1,471	97	2,330	142	-	36	1,357	-	171	5,604	20,158
Equity in Enersource Corporation	-	-	-	-	-	-	-	-	12,082	12,082	30,268
Gain on Acquisition of Living Arts Centre	-	-	-	-	-	-	1,455	-	-	1,455	-
<b>Total Revenues</b>	<b>598,297</b>	<b>32,299</b>	<b>159,257</b>	<b>41,166</b>	<b>148</b>	<b>200</b>	<b>61,768</b>	<b>8,629</b>	<b>194,142</b>	<b>1,095,906</b>	<b>1,062,607</b>
<b>Expenses:</b>											
Salaries, wages and employee benefits	110,911	122,339	180,282	5,517	487	309	96,434	16,765	-	533,044	513,720
Long-term debt interest	4,395	-	-	112	-	-	-	-	-	4,507	4,467
Materials and supplies	5,827	3,341	40,087	402	59	17	14,583	733	-	65,049	64,613
Contracted services	88,870	1,439	36,247	3,339	12	1	5,927	2,867	-	138,702	85,157
Rents and financial expenses	28,414	3,384	14,018	158	2	7	22,021	766	-	68,770	72,899
External transfers to others	1,554	-	-	-	-	20	3,719	1,448	-	6,741	7,194
Loss on disposal of tangible capital assets	-	-	-	-	-	-	-	-	2,504	2,504	49,994
Amortization	18,743	4,943	74,979	8,593	-	284	32,294	262	-	140,098	140,468
<b>Total Expenses</b>	<b>258,714</b>	<b>135,446</b>	<b>345,613</b>	<b>18,121</b>	<b>560</b>	<b>638</b>	<b>174,978</b>	<b>22,841</b>	<b>2,504</b>	<b>959,415</b>	<b>938,512</b>
<b>Annual Surplus (Deficit)</b>	<b>339,583</b>	<b>(103,147)</b>	<b>(186,356)</b>	<b>23,045</b>	<b>(412)</b>	<b>(438)</b>	<b>(113,210)</b>	<b>(14,212)</b>	<b>191,638</b>	<b>136,491</b>	<b>124,095</b>

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**15. 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 of Mississauga: Corporate Performance and Innovation (CPI), Finance, Human Resources (HR), Revenue and Materiel Management, and Strategic Communications. Together these teams partner with all Divisions across the City to enable the delivery of excellent public service by providing advice, expertise and essential support.

**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 Living Arts Centre, 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 banking and other professional fees; 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.



**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**15. 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 risks through education, enforcement, engineering, emergency response and economic incentive.

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 and high quality customer service, to ensure the health, safety, and wellbeing of the public. Land Development Services facilitates the legislated approval processes, creating policies and plans, processing development applications and building permits, and carrying out building inspections.

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, Forestry & Environment:

The Parks, Forestry and Environment 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 multi-disciplinary team composed of Park Planning, Park Development, Parks Operations, Forestry, and Environment working co-operatively to meet and deliver the open space and outdoor recreational needs of the community and drive environmental sustainability.

n) Recreation Services:

The Recreation Division connects citizens, staff and Mississauga communities to one another through programming, infrastructure and recreational opportunities. The Recreation Division provides service to residents and customers through the following:

- Registration and drop-in recreational programs
- Community partnerships and affiliations
- Recreational facilities operations and facility rentals
- Sponsorship and grants
- Sport and tourism initiatives
- Banquet and food services
- Community events support

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**15. 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 are responsible for the planning, design, construction, operation and maintenance of roadways, bridges, the cycling network, sidewalks, noise walls and related infrastructure. Road Services also manages the City's traffic signals, street lighting, municipal parking, and 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, provides Mississauga with a shared travel choice that is friendly, reliable and respects the environment.

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, 2019**  
**(All dollar amounts are in \$000)**

**15. 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	Gain on Acquisition of Living Arts Centre	Equity in Enersource Corporation	2019 Total	2019 Budget **	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Business Services	-	2,305	-	-	-	-	119	-	5	-	-	2,429	2,489	2,504
City Manager's Office	-	1,222	-	253	-	-	-	-	33	-	-	1,508	1,257	1,436
Culture	-	4,232	563	150	-	12	-	-	327	1,455	-	6,739	4,092	2,710
Environment	-	-	-	-	-	-	-	-	-	-	-	-	-	53
Facilities & Property Management	-	587	-	-	-	-	-	-	320	-	-	907	660	1,038
Financial Transactions	563,135	7	129	318	-	14,465	10,687	62,392	999	-	-	652,132	583,245	623,389
Fire & Emergency Services	-	2,332	222	-	-	-	-	-	2	-	-	2,556	1,957	2,453
Information Technology	-	1,066	-	7	-	-	-	-	-	-	-	1,073	955	895
Legislative Services	-	9,642	-	-	-	-	-	-	-	-	-	9,642	10,513	10,166
Mississauga Library	-	1,257	-	765	-	-	-	-	15	-	-	2,037	1,969	2,074
Land Development Services	-	22,292	-	-	-	-	-	-	-	-	-	22,292	13,170	19,531
MiWay	-	93,407	1,505	-	-	-	-	-	107	-	-	95,019	91,275	93,160
Parks, Forestry & Environment	-	5,151	95	71	-	32	-	-	6	-	-	5,355	4,836	5,596
Recreation	-	47,048	-	1,115	-	8	-	-	850	-	-	49,021	50,207	51,122
Regulatory Services	-	17,311	-	-	-	-	-	-	40	-	-	17,351	16,570	15,530
Roads	-	12,037	5,399	-	-	-	-	-	(51)	-	-	17,385	13,457	16,623
Stormwater	-	40,064	-	-	-	-	-	-	121	-	-	40,185	40,812	41,856
Other	-	3,255	21,204	11,407	90,407	29,090	-	-	2,830	-	12,082	170,275	22,735	172,471
	<b>563,135</b>	<b>263,215</b>	<b>29,117</b>	<b>14,086</b>	<b>90,407</b>	<b>43,607</b>	<b>10,806</b>	<b>62,392</b>	<b>5,604</b>	<b>1,455</b>	<b>12,082</b>	<b>1,095,906</b>	<b>860,199</b>	<b>1,062,607</b>

\* Municipal Accommodation Tax (MAT).

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

## Appendix 1

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**15. 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 \$	2019 Total \$	2019 Budget * \$	2018 Total \$
Business Services	29,889	-	488	1,587	1,669	-	-	-	33,633	35,570	32,750
City Manager's Office	10,771	-	116	2,978	504	21	-	-	14,390	13,331	13,954
Mayor & Members Of Council	4,282	-	350	3	257	-	-	-	4,892	4,954	4,679
Culture	6,800	-	1,055	1,028	1,721	2,864	-	90	13,558	12,970	10,199
Environment	-	-	-	-	-	-	-	-	-	-	1,406
Facilities & Property Management	15,353	-	368	2,142	7,167	-	-	-	25,030	25,913	23,429
Financial Transactions	11,965	4,395	326	700	6,474	2,277	2,504	139,938	168,579	182,235	220,259
Fire & Emergency Services	103,820	-	2,678	172	2,132	-	-	-	108,802	111,932	107,885
Information Technology	22,981	-	103	38	9,467	-	-	-	32,589	32,710	30,428
Legislative Services	6,577	-	563	1,285	(742)	-	-	-	7,683	8,394	9,134
Mississauga Library	22,383	-	4,612	41	2,203	-	-	-	29,239	29,582	28,118
Land Development Services	19,789	-	295	177	618	-	-	-	20,879	22,255	20,705
MiWay	146,290	-	33,094	2,586	7,095	-	-	-	189,065	194,744	184,132
Parks & Forestry	26,524	-	5,890	4,693	3,451	82	-	-	40,640	40,869	38,176
Recreation	51,834	-	4,018	2,723	15,717	855	-	-	75,147	78,005	76,607
Regulatory Services	14,265	-	809	1,016	474	-	-	-	16,564	16,910	15,546
Roads	32,023	-	6,548	32,454	7,300	-	-	-	78,325	77,596	74,868
Stormwater	4,648	112	501	3,855	158	-	-	-	9,274	9,724	11,531
Other	2,850	-	3,235	81,224	3,105	642	-	70	91,126	-	34,706
	<b>533,044</b>	<b>4,507</b>	<b>65,049</b>	<b>138,702</b>	<b>68,770</b>	<b>6,741</b>	<b>2,504</b>	<b>140,098</b>	<b>959,415</b>	<b>897,694</b>	<b>938,512</b>

\* 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.

## Appendix 1

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**16. Budget Data**

Budget data presented in these consolidated financial statements are based upon the 2019 operating and capital budgets as approved by Council and adopted by the City on February 06, 2019. 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.

	<b>Budget Amount</b>
<b>Revenue</b>	<b>\$</b>
<b>Approved Operating Budget</b>	<b>913,973</b>
<b>Adjustments:</b>	
Assessment increase	292
Budget adjustments	3,084
Contributions from reserve funds	(66,244)
BIAs	1,729
BIAs contributions from reserve funds	(50)
City budgeted levy for BIAs	(1,450)
Living Arts Centre	1,913
Enersource dividend	(15,552)
<b>Adjusted Operating Budget</b>	<b>837,695</b>
<b>Approved Capital Budget</b>	<b>254,451</b>
Adjustments for transfers from reserve funds	(205,828)
Adjustments for debt proceeds	(48,150)
<b>Adjusted Capital Budget</b>	<b>473</b>
Reserve fund contributions	22,031
<b>Total Revenue</b>	<b>860,199</b>
<b>Expenses</b>	
<b>Approved Operating Budget</b>	<b>913,973</b>
<b>Adjustments:</b>	
Budget adjustments	3,377
BIA transfers to own	(8)
Transfers to own	(141,734)
BIA budgeted expenses	1,729
BIA budget on City's books	(1,450)
Living Arts Centre	1,923
Amortization - City	146,098
Amortization - Living Arts Centre	90
Debt principal repayments, net of debt issuance	(26,304)
<b>Adjusted Operating Budget</b>	<b>897,694</b>
<b>Approved Capital Budget</b>	<b>254,451</b>
<b>Adjustments:</b>	
Eliminate capital expense budget	(254,451)
<b>Adjusted Capital Budget</b>	<b>-</b>
<b>Total Expenses</b>	<b>897,694</b>
<b>Annual Deficit</b>	<b>(37,495)</b>

## Appendix 1

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**17. Expenses by Object**

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

	<b>Budget 2019 \$</b>	<b>Actual 2019 \$</b>	<b>Actual 2018 \$</b>
Salaries, wages and employee benefits	539,734	533,044	513,720
Long-term debt interest and fees	5,078	4,507	4,467
Materials and supplies	61,888	65,049	64,613
Contracted services	54,938	138,702	85,157
Rents and financial expenses	78,623	68,770	72,899
External transfers to others	11,245	6,741	7,194
Loss on disposal of tangible capital assets	-	2,504	49,994
Amortization	146,188	140,098	140,468
<b>Total</b>	<b>897,694</b>	<b>959,415</b>	<b>938,512</b>

**18. Provincial Offences Administration**

The Ministry of the Attorney General in the Province of Ontario requires all municipal partners administering Provincial Offences Administration to disclose 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 2019 fiscal year with comparative figures for 2018:

	<b>2019 \$</b>	<b>2018 \$</b>
<b>Revenues</b>		
Gross revenues	9,527	10,049
Less refunds	91	73
<b>Net Revenues</b>	<b>9,436</b>	<b>9,976</b>
<b>Expenses</b>		
Provincial charges	843	747
City's operating expenses	3,555	3,547
<b>Total Expenses</b>	<b>4,398</b>	<b>4,294</b>
<b>Net Contribution</b>	<b>5,038</b>	<b>5,682</b>

**19. Funding Transfers from Other Governments**

	<b>2019 \$</b>	<b>2018 \$</b>
General government services	430	2,353
Protection services	-	10
Transportation services	10,605	20,943
Environmental services	678	6,263
Health services	4	3
Social and family services	-	52
Recreation and cultural services	2,109	5,114
Planning and development services	260	226
<b>Total</b>	<b>14,086</b>	<b>34,964</b>

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**20. 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 \$186.9 million (for the period 2020 to 2023). The City has also entered into a number of third party contracts to provide shared services with estimated future recoveries of \$23.4 million (for the period 2020 to 2024). Future revenues from incoming lease agreements for City-owned properties are approximately \$12.2 million (for the period 2020 to 2023).

**21. 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:

	\$
2020	3,416
2021	3,016
2022	2,647
2023	1,140
2024	476
<b>Total</b>	<b>10,695</b>

**22. Living Arts Centre**

On July 3rd, 2019, City Council enacted and passed By-Law number 0127-2019 to authorize the City Manager to terminate the Master Relationship Agreement between the City and the Living Arts Centre in Mississauga and to take any and all such steps as necessary for the transition of the management and operation of the Living Arts Centre facility to the City.

On September 30th, 2019, the City assumed effective control of the Living Arts Centre, Live Cuisine Inc. and the Living Arts Centre Foundation.

As part of the acquisition of control, the City acquired the entities' assets (including cash, accounts receivables, other assets), assumed liabilities (including accounts payable and deferred revenue), immaterial leases, and the responsibility to provide ongoing operations of the entities. There was no consideration given up.

As at September 30, 2019, the City acquired / assumed the following at their carrying amounts:

	September 30, 2019 \$
Financial Assets	2,775
Financial Liabilities	2,832
<b>Net Financial Liabilities</b>	<b>57</b>
Non-Financial Assets	1,512
<b>Accumulated Surplus</b>	<b>1,455</b>

**The Corporation of the City of Mississauga**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended December 31, 2019**  
**(All dollar amounts are in \$000)**

**22. Living Arts Centre**

The City's consolidated financial statements includes the following in respect of the acquired responsibilities:

	<b>December 31, 2019</b>
	<b>\$</b>
<b>Living Arts Centre Financial Statement balances</b>	
Financial Assets	2,583
Financial Liabilities	2,721
<b>Net Financial Liabilities</b>	<b>138</b>
Non-Financial Assets	1,713
<b>Accumulated Surplus</b>	<b>1,575</b>
	<b>September 30, 2019</b>
	<b>to December 31, 2019</b>
Total Revenues	2,049
Total Expenses	1,929
<b>Surplus</b>	<b>120</b>
Accumulated surplus, on acquisition	1,455
<b>Accumulated Surplus, end of year</b>	<b>1,575</b>

**23. Subsequent Event and Contingencies**

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the US, Canadian, Ontario and local governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however, the success of these interventions is not currently determinable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the City is not known at this time.

**24. Comparative Figures**

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



**City of Mississauga - Public Library Board**  
**Financial Statements**  
**Year Ended December 31, 2019**



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

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of change 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, 2019, and its results of operations, its change 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.



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### ***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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 1, 2020

# City of Mississauga - Public Library Board

## Statement of Financial Position

as at December 31, 2019 with comparatives for 2018

(All dollar amounts are in \$000)

	2019	2018
	\$	\$
<b>Financial Assets</b>		
Cash	15	-
Accounts receivable	27	-
Due from City of Mississauga (Note 2)	2,806	2,439
<b>Total Financial Assets</b>	<b>2,848</b>	<b>2,439</b>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities	1,946	1,056
Employee benefits and other liabilities (Note 4)	3,043	3,151
<b>Total Financial Liabilities</b>	<b>4,989</b>	<b>4,207</b>
<b>Net Debt</b>	<b>(2,141)</b>	<b>(1,768)</b>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 7)	70,903	73,364
Prepaid expenses	51	-
<b>Total Non-Financial Assets</b>	<b>70,954</b>	<b>73,364</b>
<b>Accumulated Surplus</b>	<b>68,813</b>	<b>71,596</b>
Commitments (Note 5)		
Subsequent Event and Contingencies (Note 8)		

# City of Mississauga - Public Library Board

## Statement of Operations

for the year ended December 31, 2019 with comparatives for 2018  
(All dollar amounts are in \$000)

	Budget 2019 \$ Note 6	Actual 2019 \$	Actual 2018 \$
<b>Revenues</b>			
City of Mississauga	28,149	27,258	26,212
Funding transfers from other governments	715	765	858
Contributed assets by the City of Mississauga	-	226	1,305
Fines, service charges and rents	1,214	1,156	1,175
Recoveries from third parties	40	117	83
<b>Total Revenues</b>	<b>30,118</b>	<b>29,522</b>	<b>29,633</b>
<b>Expenses</b>			
Salaries, wages and employee benefits	23,105	22,275	21,409
Equipment	84	66	153
Materials and supplies	1,375	1,516	297
Communication	8	25	23
Staff development	126	167	112
Transportation	56	68	57
Professional Services	29	41	39
Advertising and promotion	47	30	13
Occupancy	1,734	1,849	1,747
Collection fees	50	54	56
Bank Charges	8	13	-
Amortization of tangible capital assets (Note 7)	-	5,715	6,073
Administrative support charged by the City	472	486	443
<b>Total Expenses</b>	<b>27,094</b>	<b>32,305</b>	<b>30,422</b>
<b>Annual surplus/(deficit)</b>	<b>3,024</b>	<b>(2,783)</b>	<b>(789)</b>
Accumulated surplus, beginning of year		71,596	72,385
<b>Accumulated surplus, end of year</b>		<b>68,813</b>	<b>71,596</b>

# City of Mississauga - Public Library Board

## Statement of Change in Net Debt

for the year ended December 31, 2019 with comparatives for 2018  
(All dollar amounts are in \$000)

	2019 Actual \$	2018 Actual \$
<b>Annual surplus/(deficit)</b>	(2,783)	(789)
Acquisition of tangible capital assets (Note 7)	(3,254)	(5,339)
Amortization of tangible capital assets (Note 7)	5,715	6,073
Acquisition of prepaid expenses	(51)	-
<b>(Increase)/Decrease in net debt</b>	<b>(373)</b>	<b>(55)</b>
<b>Net debt, beginning of year</b>	<b>(1,768)</b>	<b>(1,713)</b>
<b>Net debt, end of year</b>	<b>(2,141)</b>	<b>(1,768)</b>

# City of Mississauga - Public Library Board

## Statement of Cash Flows

for the year ended December 31, 2019 with comparatives for 2018

(All dollar amounts are in \$000)

	2019 \$	2018 \$
<b>Cash provided by (used in):</b>		
Operating activities:		
<b>Annual surplus/(deficit)</b>	(2,783)	(789)
<b>Items not involving cash:</b>		
Amortization of tangible capital assets	5,715	6,073
Contributed assets by the City of Mississauga	(226)	(1,305)
Change in employee benefits and other liabilities	(108)	(220)
<b>Change in non-cash working capital:</b>		
Accounts receivable	(27)	-
Due from the City of Mississauga	(367)	(15)
Accounts payable and accrued liabilities	890	290
Prepaid expenses	(51)	-
<b>Net change in cash from operating activities</b>	<b>3,043</b>	<b>4,034</b>
<b>Capital Activities:</b>		
Tangible capital asset additions	(3,028)	(4,034)
<b>Net Change in Cash</b>	<b>15</b>	<b>-</b>
<b>Cash, end of year</b>	<b>15</b>	<b>-</b>



# City of Mississauga - Public Library Board

## Notes to the Financial Statements

For the Year Ended December 31, 2019

(All dollar amounts are in \$000)

### 1. Significant Accounting Policies

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

#### a) Basis of accounting

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

#### b) Government transfers

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

#### c) Pensions and employee benefits

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

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

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

#### d) Non-financial assets

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

##### (i) Tangible capital assets

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

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

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

# City of Mississauga - Public Library Board

## Notes to the Financial Statements

For the Year Ended December 31, 2019

(All dollar amounts are in \$000)

### 1. Significant Accounting Policies

#### d) Non-financial assets

##### (ii) Contributions of tangible capital assets

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

##### (iii) Leased assets

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

##### (iv) Works of art and historical treasures

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

#### e) Use of estimates

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

Actual amounts could differ from these estimates.

#### f) Adoption of new accounting policy

The Board has adopted the following PSAB Standard effective January 1, 2019:

(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. For the year ended December 31, 2019, there are no such material restructuring transactions to disclose.

#### g) Future accounting pronouncements

These standards and amendments were not effective for the year ended December 31, 2019, 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 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 standard is effective for fiscal years beginning on or after April 1, 2021 and applies when PS 3450, Financial Instruments, and PS 2601, Foreign Currency Translation, are adopted (the Board's December 31, 2022 year-end).

(ii) 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).

# City of Mississauga - Public Library Board

## Notes to the Financial Statements

For the Year Ended December 31, 2019

(All dollar amounts are in \$000)

### 1. Significant Accounting Policies

#### g) Future accounting pronouncements

(iii) 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.

(iv) PS 3280, Asset Retirement Obligations (ARO), addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets in productive use. This standard is effective for fiscal years beginning on or after April 1, 2021 (the Board's December 31, 2022 year-end).

(v) PS 3400, Revenue, establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement. This standard is effective for fiscal years beginning on or after April 1, 2022 (the Board's December 31, 2023 year-end).

### 2. Due from the City of Mississauga

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

### 3. Pension Agreements

The Board makes contributions to OMERS, a multi-employer defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay on behalf of all permanent, full-time members of its staff. The plan is accounted for as a defined contribution plan. During the year, the Board contributed \$1,453 (2018 \$1,449) on behalf of these eligible employees and the employees contributed \$1,452 (2018 \$1,450).

### 4. Employee Benefits & Other Liabilities

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

	2019	2018
	\$	\$
WSIB benefits	131	121
Accumulated sick leave benefit plan entitlements	107	174
Early retirement benefits	985	967
Post-employment benefits	909	1,007
Vacation Liability	911	882
<b>Total</b>	<b>3,043</b>	<b>3,151</b>

(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 2019, 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 2019, 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 2019, 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 2019, in accordance with the financial reporting guidelines established by PSAB.

# City of Mississauga - Public Library Board

## Notes to the Financial Statements

For the Year Ended December 31, 2019

(All dollar amounts are in \$000)

### 4. Employee Benefits & Other Liabilities

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

	2019				2018
	WSIB	Sick Leave	Early Retirement	Post-Employment	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation, beginning of year	121	174	967	1,007	2,269
Service cost	16	5	34	8	63
Interest cost	6	4	37	21	68
Amortization of actuarial (gain)/loss	5	(15)	(2)	(43)	(55)
Benefit payments	(17)	(61)	(51)	(84)	(213)
<b>Accrued benefit obligation, end of year</b>	<b>131</b>	<b>107</b>	<b>985</b>	<b>909</b>	<b>2,132</b>
Unamortized actuarial (gain)/loss	907	(75)	(80)	(18)	734
Actuarial valuation update, end of year	1,038	32	905	891	2,866

Expected average remaining service life      10 years      3 years      13 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	3.50 %	3.50 %	3.50 %	3.25 %
Expected health care increases	3.75 %	n/a	6.75 %	6.75 %

### 5. Commitments

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

	\$
2020	334
2021	343
2022	202
2023	156
2024	39
Thereafter	-
<b>Total</b>	<b>1,074</b>

### 6. Budget Adoption

The 2019 budget, as approved by Council, was adopted by the Board at the February 20, 2019 meeting.

# City of Mississauga - Public Library Board

## Notes to the Financial Statements

For the Year Ended December 31, 2019

(All dollar amounts are in \$000)

### 7. Tangible Capital Assets

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

#### Library Tangible Capital Assets

Cost	December 31, 2018 \$	Additions \$	Disposals \$	December 31, 2019 \$
Land	1,247	-	-	1,247
Land improvements	404	-	-	404
Buildings	99,488	-	-	99,488
Equipment, books and other	66,379	3,254	34,493	35,140
Vehicles	158	-	-	158
<b>Total</b>	<b>167,676</b>	<b>3,254</b>	<b>34,493</b>	<b>136,437</b>

Accumulated Amortization	December 31, 2018 \$	Amortization Expense \$	Disposals \$	December 31, 2019 \$
Land	-	-	-	-
Land improvements	338	11	-	349
Buildings	43,162	2,619	-	45,781
Equipment, books and other	50,699	3,080	34,493	19,286
Vehicles	113	5	-	118
<b>Total</b>	<b>94,312</b>	<b>5,715</b>	<b>34,493</b>	<b>65,534</b>

Net Book Value	December 31, 2018 \$	December 31, 2019 \$
Land	1,247	1,247
Land Improvements	66	55
Buildings	56,326	53,707
Equipment, books and other	15,680	15,854
Vehicles	45	40
<b>Total</b>	<b>73,364</b>	<b>70,903</b>

# City of Mississauga - Public Library Board

## Notes to the Financial Statements

For the Year Ended December 31, 2019

(All dollar amounts are in \$000)

### 8. Subsequent Event and Contingencies

Subsequent to December 31, 2019 the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the US, Canadian, Ontario and local governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however, the success of these interventions is not currently determinable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Board is not known at this time.

### 9. 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, 2019**



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 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, 2019
- 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, 2019, 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.





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### ***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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 1, 2020

# City of Mississauga - Trust Funds

## Statement of Financial Position

as at December 31, 2019 with comparatives for 2018

(All dollar amounts are in \$000)

			2019	2018
	Perpetual Care \$	Election Surplus \$	Total \$	Total \$
<b>Financial Assets</b>				
Cash	35	221	256	34
Accounts Receivable	4	-	4	4
Due (to)/from City of Mississauga (Note 2)	(13)	-	(13)	55
Investments (Note 3)	893	-	893	807
<b>Net Financial Assets and Accumulated Surplus</b>	<b>919</b>	<b>221</b>	<b>1,140</b>	<b>900</b>
Subsequent Event and Contingencies (Note 6)				

# City of Mississauga - Trust Funds

## Statement of Operations

for the year ended December 31, 2019 with comparatives for 2018  
(All dollar amounts are in \$000)

	2019		2018	
	Perpetual Care \$	Election Surplus \$	Total \$	Total \$
<b>Revenues</b>				
Interest	32	4	36	25
Receipts	19	-	19	80
Surplus Proceeds	-	217	217	-
<b>Total Revenues</b>	<b>51</b>	<b>221</b>	<b>272</b>	<b>105</b>
<b>Expenses</b>				
Cemetery maintenance	32	-	32	25
<b>Total Expenses</b>	<b>32</b>	<b>-</b>	<b>32</b>	<b>25</b>
<b>Annual surplus</b>	<b>19</b>	<b>221</b>	<b>240</b>	<b>80</b>
Accumulated surplus, beginning of year	900	-	900	820
<b>Accumulated surplus, end of year</b>	<b>919</b>	<b>221</b>	<b>1,140</b>	<b>900</b>

# City of Mississauga - Trust Funds

## Notes to the Financial Statements

For the Year Ended December 31, 2019  
(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 (to)/from the City of Mississauga

This represents the net effect of the perpetual care receipts collected during the year offset by the interest earned resulting in an amount due to the City of Mississauga as at December 31, 2019 and transferred from the Trust Funds on January 27, 2020. The balance due (to)/from the City of Mississauga is non-interest bearing and due on demand.

### 3. Investments

The total investments by the Trust Funds of \$893 (2018 \$807) reported on the statement of financial position at cost, have a market value of \$936 (2018 \$825) 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.

# City of Mississauga - Trust Funds

## Notes to the Financial Statements

For the Year Ended December 31, 2019

(All dollar amounts are in \$000)

### 6. Subsequent Event and Contingencies

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing.

It is currently not known how long or to what extent the pandemic will impact the Trust Funds. Currently, an estimate of the financial effect to the Trust Funds cannot be made as the pandemic's impact is changing daily.

Financial Statements of

**CITY OF MISSISSAUGA  
CLARKSON VILLAGE  
BUSINESS  
IMPROVEMENT  
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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

## INDEPENDENT AUDITORS' REPORT

To the Members of City of Mississauga Clarkson Village Business Improvement Association, Council, Inhabitants and Ratepayers of The Corporation of 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, 2019
- 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 the Entity as at December 31, 2019, and its results of operations, its change 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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 15, 2020

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets:</b>		
Current assets:		
Cash	\$ 71,495	\$ 62,294
Accounts receivable and other assets	4,991	7,223
Due from The Corporation of the City of Mississauga (note 2)	766	-
	<u>77,252</u>	<u>69,517</u>
<b>Financial liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,298	\$ 1,298
Due to The Corporation of the City of Mississauga (note 2)	-	1,100
	<u>1,298</u>	<u>2,398</u>
Net financial assets	75,954	67,119
Tangible capital assets (note 3)	6,868	8,585
Subsequent event (note 5)		
Accumulated surplus (note 4)	<u>\$ 82,822</u>	<u>\$ 75,704</u>

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 Accumulated Surplus

Year ended December 31, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Revenue:			
Special levy on business assessment	\$ 73,000	\$ 73,766	\$ 71,900
Sponsorship	4,000	4,775	1,000
Other	4,000	2,600	3,200
	81,000	81,141	76,100
Expenses:			
Advertising and promotion	33,000	25,257	23,815
Beautification and maintenance	33,300	31,031	37,109
Office and general	9,400	11,040	6,188
Professional fees	3,000	2,951	2,951
Amortization of tangible capital assets	-	1,717	2,146
Insurance	2,300	2,027	2,233
Other	-	-	2,260
	81,000	74,023	76,702
Annual surplus (deficit)	-	7,118	(602)
Accumulated surplus, beginning of year	75,704	75,704	76,306
Accumulated surplus, end of year (note 4)	\$ 75,704	\$ 82,822	\$ 75,704

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, 2019, with comparative information for 2018

	2019	2018
Annual surplus (deficit)	\$ 7,118	\$ (602)
Amortization of tangible capital assets	1,717	2,146
Change in net financial assets	8,835	1,544
Net financial assets, beginning of year	67,119	65,575
Net financial assets, end of year	\$ 75,954	\$ 67,119

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 7,118	\$ (602)
Items not involving cash:		
Amortization of tangible capital assets	1,717	2,146
Changes in non-cash operating working capital:		
Accounts receivable and other assets	2,232	(1,999)
Accounts payable and accrued liabilities	-	479
	11,067	24
Financing:		
Due from/to The Corporation of the City of Mississauga	(1,866)	(1,889)
Increase (decrease) in cash	9,201	(1,865)
Cash, beginning of year	62,294	64,159
Cash, end of year	\$ 71,495	\$ 62,294

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2019

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## **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.

# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

### (d) Use of estimates:

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

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

The amount due from The Corporation of the City of Mississauga includes the cumulative overlevy as of December 31, 2019 (2018 - underlevy). The amount receivable has no specific terms of repayment and does not bear any interest due from the City.

Amounts payable due to the City are non-interest bearing and payable on demand.

## 3. Tangible capital assets:

				2019	2018
	Cost	Accumulated amortization		Net book value	Net book value
Furniture and fixtures	\$ 23,167	\$ 16,299	\$	6,868	\$ 8,585

## 4. Accumulated surplus:

Accumulated surplus at December 31 comprises the following:

		2019	2018
Reserve for working capital needs	\$	75,954	\$ 67,119
Invested in tangible capital assets		6,868	8,585
	\$	82,822	\$ 75,704



# CITY OF MISSISSAUGA CLARKSON VILLAGE BUSINESS IMPROVEMENT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## 5. Subsequent event:

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing. It is currently not known how long or to what extent the pandemic will impact the Association's operations. Currently, an estimate of the financial effect to the Association cannot be made as the pandemic's impact is changing daily.

Financial Statements of

**CITY OF MISSISSAUGA  
MALTON BUSINESS  
IMPROVEMENT AREA**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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

## INDEPENDENT AUDITORS' REPORT

To the Members of City of Mississauga 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, 2019
- 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 the Entity as at December 31, 2019, 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.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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### ***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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 17, 2020

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets:</b>		
Cash	\$ 69,957	\$ 191,531
Accounts receivable and other assets (note 7)	40,454	14,679
Due from The Corporation of the City of Mississauga (note 3)	5,375	-
	<u>\$ 115,786</u>	<u>\$ 206,210</u>

## Financial Liabilities:

Accounts payable and accrued liabilities (note 2)	\$ 30,496	\$ 29,929
Deferred revenue	-	23,700
Due to The Corporation of the City of Mississauga (note 3)	-	16,845
	<u>30,496</u>	<u>70,474</u>
Net financial assets	85,290	135,736
Tangible capital assets (note 4)	157,912	33,069
Commitments (note 6)		
Subsequent event (note 8)		
Accumulated surplus (note 5)	<u>\$ 243,202</u>	<u>\$ 168,805</u>

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, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Revenue:			
Special levy on business assessment	\$ 146,140	\$ 151,515	\$ 131,825
Special event - Canada Day sponsorship revenue	65,200	57,000	36,600
Other grants revenue	29,250	33,000	29,250
Other revenue	12,000	33,250	4,900
	252,590	274,765	202,575
Expenses:			
Special event - Canada Day expenses	133,500	86,256	80,498
Office and administration (notes 2 and 7)	50,700	79,205	56,672
Beautification and maintenance	17,000	13,463	22,904
Advertising and promotion	12,000	3,674	-
Amortization	-	16,800	10,289
Other event expense	-	720	-
Sponsorship expense	5,000	250	1,000
	218,200	200,368	171,363
Annual surplus	34,390	74,397	31,212
Accumulated surplus, beginning of year	168,805	168,805	137,593
Accumulated surplus, end of year (note 5)	\$ 203,195	\$ 243,202	\$ 168,805

See accompanying notes to financial statements.

## CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

### Statement of Change in Net Financial Assets

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 74,397	\$ 31,212
Additions to tangible capital assets	(141,643)	(2,057)
Amortization of tangible capital assets	16,800	10,289
Change in net financial assets	(50,446)	39,444
Net financial assets, beginning of year	135,736	96,292
Net financial assets, end of year	\$ 85,290	\$ 135,736

See accompanying notes to financial statements.



# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 74,397	\$ 31,212
Item not involving cash:		
Amortization of tangible capital assets	16,800	10,289
Changes in non-cash operating working capital:		
Decrease (increase) in accounts receivable and other assets	(25,775)	3,382
Increase in accounts payable and accrued liabilities	567	25,026
Decrease in due to The Corporation of the City of Mississauga	(22,220)	(1,634)
	43,769	68,275
Financing activities:		
(Decrease) increase to deferred revenue	(23,700)	23,700
Capital activities:		
Additions to tangible capital assets	(141,643)	(2,057)
(Decrease) increase in cash	(121,574)	89,918
Cash, beginning of year	191,531	101,613
Cash, end of year	\$ 69,957	\$ 191,531

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2019

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

## 1. Significant accounting policies:

The financial statements of the Association have been prepared in accordance with generally accepted accounting principles for local governments as recommended by the Public Sector 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. Assets under construction are not amortized until the asset is available for productive use.

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

### (d) Use of estimates:

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

## 2. Related party transactions:

Included in office and administration expense are \$6,696 (2018 - \$3,768) of services provided by companies owned by members of the Board of Directors. Accounts payable and accrued liabilities include \$1,187 (2018 - \$1,080) 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 overlevy as at December 31, 2019 (2018 - underlevy). The amount is non-interest bearing and payable on demand.

## 4. Tangible capital assets:

				2019	2018
	Cost	Accumulated amortization		Net book value	Net book value
Fixtures and decorations	\$ 222,504	\$ 103,344	\$	119,160	\$ 33,069
Assets under construction	38,752	-		38,752	-
	\$ 261,256	\$ 103,344	\$	157,912	\$ 33,069

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 5. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following:

	2019	2018
Reserve for working capital needs	\$ 85,290	\$ 135,736
Invested in tangible capital assets	157,912	33,069
	<u>\$ 243,202</u>	<u>\$ 168,805</u>

## 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 2023. Both agreements are with the Corporation of the City of Mississauga. The annual commitments are approximately as follows:

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

## 7. Financial instruments:

The main risk to which the Association's financial instruments are exposed is credit risk. Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Association is exposed to credit risk on accounts receivable. The Association has recorded an allowance for doubtful accounts of \$15,000 for accounts receivable.

# CITY OF MISSISSAUGA MALTON BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## **8. Subsequent event:**

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing. It is currently not known how long or to what extent the pandemic will impact the Association's operations. Currently, an estimate of the financial effect to the Association cannot be made as the pandemic's impact is changing daily.

Financial Statements of

**CITY OF MISSISSAUGA  
PORT CREDIT BUSINESS  
IMPROVEMENT AREA**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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

## INDEPENDENT AUDITORS' REPORT

To the Members of City of Mississauga 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, 2019
- 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 the Entity as at December 31, 2019, and its results of operations, its change 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.



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### ***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.





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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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 28, 2020

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets:</b>		
Cash	\$ 133,554	\$ 112,707
Accounts receivable	62,252	44,895
	195,806	157,602
<b>Financial Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 31,244	\$ 34,446
Due to The Corporation of the City of Mississauga (note 2)	19,703	15,189
	50,947	49,635
Net financial assets	144,859	107,967
Prepaid expenses	5,985	10,310
Tangible capital assets (note 3)	88,453	40,046
Commitment (note 6)		
Contractual right (note 7)		
Subsequent event (note 8)		
Accumulated surplus (note 4)	\$ 239,297	\$ 158,323

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, 2019, with comparative information for 2018

	2019			2019	2018
	Budget				
Revenue:					
Special levy on business assessment	\$	856,533	\$	836,830	\$ 841,342
Fundraising		53,000		52,619	141,777
Other		-		3,111	1,534
		909,533		892,560	984,653
Expenses:					
Office and general		294,103		273,328	257,750
Beautification and maintenance		330,817		206,219	252,015
Project expenses		111,500		133,790	191,513
Advertising and promotion		57,511		49,484	134,175
Sponsorships		64,500		80,500	79,534
Amortization of tangible capital assets		-		33,162	24,036
Business development (note 5)		24,915		18,052	20,714
Information technology		11,000		-	4,422
Repairs and maintenance		10,000		4,396	2,871
Loss on disposal		-		12,655	-
		904,346		811,586	967,030
Annual surplus		5,187		80,974	17,623
Accumulated surplus, beginning of year		158,323		158,323	140,700
Accumulated surplus, end of year (note 4)	\$	163,510	\$	239,297	\$ 158,323

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, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 80,974	\$ 17,623
Additions to tangible capital assets	(94,224)	(6,044)
Amortization of tangible capital assets	33,162	24,036
Loss on disposal of tangible capital assets	12,655	-
Change in prepaid expenses	4,325	10,943
Change in net financial assets	36,892	46,558
Net financial assets, beginning of year	107,967	61,409
Net financial assets, end of year	\$ 144,859	\$ 107,967

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 80,974	\$ 17,623
Items not involving cash:		
Amortization of tangible capital assets	33,162	24,036
Loss on disposal of capital assets	12,655	-
Changes in non-cash operating working capital:		
Increase in accounts receivable	(17,357)	(2,465)
Decrease in prepaid expenses	4,325	10,943
Increase (decrease) in accounts payable and accrued liabilities	(3,202)	2,001
Increase (decrease) in due to The Corporation of the City of Mississauga	4,514	(29,508)
	115,071	(22,630)
Capital activities:		
Additions to tangible capital assets	(94,224)	(6,044)
Increase in cash	20,847	16,586
Cash, beginning of year	112,707	96,121
Cash, end of year	\$ 133,554	\$ 112,707

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements

Year ended December 31, 2019

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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 City of Mississauga 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.

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

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

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

### (d) Use of estimates:

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

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

The amount due to The Corporation of the City of Mississauga includes the cumulative underlevy as at December 31, 2019. The amount is non-interest bearing and payable on demand.

## 3. Tangible capital assets:

			2019		2018	
	Cost	Accumulated amortization	Net book value		Net book value	
Machinery and equipment	\$ 150,841	\$ 86,258	\$ 64,583	\$	8,698	
Furniture and fixtures	16,585	15,110	1,475	\$	2,803	
Leasehold improvements	22,775	380	22,395		28,545	
	\$ 190,201	\$ 101,748	\$ 88,453	\$	40,046	

# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 4. Accumulated surplus:

The accumulated surplus at December 31 comprised the following:

	2019	2018
Invested in tangible capital assets	\$ 88,453	\$ 40,046
Reserves for working capital needs	150,844	118,277
	\$ 239,297	\$ 158,323

## 5. Related party transactions:

Business development expense includes \$4,000 (2018 - nil) of services provided by a company owned by a member of the Board of Directors. There are nil (2018 - nil) amounts included in accounts payable and accrued liabilities in respect of these related party transactions.

## 6. Commitment:

The Organization has an operating lease arrangement with the City for its office premises, expiring July 31, 2024.

Amounts payable under this lease is as follows:

2020	\$ 16,180
2021	16,666
2022	17,166
2023	17,681
2024	10,492
	\$ 78,185

## 7. Contractual right:

As at December 31, 2019, the Organization has a contract with the City to receive a \$7,500 grant towards a 2020 event.



# CITY OF MISSISSAUGA PORT CREDIT BUSINESS IMPROVEMENT AREA

Notes to Financial Statements (continued)

Year ended December 31, 2019

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## **8. Subsequent event:**

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing. It is currently not known how long or to what extent the pandemic will impact the Organization's operations. Currently, an estimate of the financial effect to the Organization cannot be made as the pandemic's impact is changing daily.

Financial Statements of

**CITY OF MISSISSAUGA  
STREETSVILLE BUSINESS  
IMPROVEMENT DISTRICT  
ASSOCIATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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

## INDEPENDENT AUDITORS' REPORT

To the Members of City of Mississauga 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, 2019
- 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 the Entity as at December 31, 2019, and its results of operations, its change 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.



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### ***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.



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- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

March 25, 2020

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

## Statement of Financial Position

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets:</b>		
Cash	\$ 12,299	\$ 30,393
Accounts receivable	41,773	20,979
	<u>\$ 54,072</u>	<u>\$ 51,372</u>

## Financial liabilities:

Accounts payable and accrued liabilities	\$ 7,669	\$ 11,224
Due to The Corporation of the City of Mississauga (note 2)	2,633	5,809
Deferred revenue	-	1,538
	<u>10,302</u>	<u>18,571</u>
Net financial assets	43,770	32,801
Tangible capital assets (note 3)	49,507	62,351
Commitments (note 5)		
Contractual right (note 6)		
Subsequent events (notes 5 and 7)		
Accumulated surplus (note 4)	<u>\$ 93,277</u>	<u>\$ 95,152</u>

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, 2019, with comparative information for 2018

	2019 Budget	2019	2018
Revenue:			
Special levy on business assessment	\$ 387,313	\$ 384,680	\$ 318,545
Fundraising	45,000	79,244	82,959
Other income	4,000	16	-
	436,313	463,940	401,504
Expenses:			
Advertising and promotion	144,550	154,177	121,722
Office and administration	152,794	160,326	154,784
Beautification and maintenance	126,469	133,668	114,304
Amortization of capital assets	-	17,644	20,232
	423,813	465,815	411,042
Annual surplus (deficit)	12,500	(1,875)	(9,538)
Accumulated surplus, beginning of year	95,152	95,152	104,690
Accumulated surplus, end of year (note 4)	\$ 107,652	\$ 93,277	\$ 95,152

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, 2019, with comparative information for 2018

		2019		2018
Annual deficit	\$	(1,875)	\$	(9,538)
Additions to tangible capital assets		(4,800)		-
Amortization of tangible capital assets		17,644		23,232
Change in net financial assets		10,969		10,694
Net financial assets, beginning of year		32,801		22,107
Net financial assets, end of year	\$	43,770	\$	32,801

See accompanying notes to financial statements.



# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

## Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (1,875)	\$ (9,538)
Item not involving cash:		
Amortization of tangible capital assets	17,644	20,232
Changes in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(20,794)	8,321
Increase (decrease) in accounts payable and accrued liabilities	(3,555)	1,274
Decrease in due to The Corporation of the City of Mississauga	(3,176)	(7,950)
Decrease in deferred revenue	(1,538)	(384)
	(13,294)	11,955
Capital activities:		
Additions to tangible capital assets	(4,800)	-
(Decrease) increase in cash	(18,094)	11,955
Cash, beginning of year	30,393	18,438
Cash, end of year	\$ 12,299	\$ 30,393

See accompanying notes to financial statements.

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements

Year ended December 31, 2019

---

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.

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 1. Significant accounting policies (continued):

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

Asset	Basis	Rate
Furniture, fixtures and decoratives	Straight line	5 - 10 years
Benches	Straight-line	5 years

### (d) Use of estimates:

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

## 2. Due to 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, 2019. The amount is non-interest bearing and payable on demand.

## 3. Tangible capital assets:

				2019	2018
	Cost	Accumulated amortization		Net book value	Net book value
Furniture, fixtures and decoratives	\$ 158,532	\$ 111,997	\$	46,535	\$ 57,411
Benches	25,113	22,141	\$	2,972	4,940
	\$ 183,645	\$ 134,138	\$	49,507	\$ 62,351

# CITY OF MISSISSAUGA STREETSVILLE BUSINESS IMPROVEMENT DISTRICT ASSOCIATION

Notes to Financial Statements (continued)

Year ended December 31, 2019

## 4. Accumulated surplus:

The accumulated surplus as at December 31 comprises the following:

	2019	2018
Reserve for working capital needs	\$ 43,770	\$ 32,801
Invested in tangible capital assets	49,507	62,351
	<u>\$ 93,277</u>	<u>\$ 95,152</u>

## 5. Commitments:

The Association has entered into an operating lease commitment for premises expiring November 30, 2020. The minimum annual payment remaining in 2020 is \$18,100.

Subsequent to year end in January 2020, the Association entered into a maintenance contract to purchase services to be provided in 2020 for payments totalling \$72,000.

## 6. Contractual right:

As at December 31, 2019, the Association has a contract with The Corporation of the City of Mississauga to receive a \$12,500 grant towards a 2020 special event.

## 7. Subsequent event:

Subsequent to year end, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The COVID-19 pandemic is currently impacting many organizations, as all levels of government are advising individuals to self-isolate or to practice social-distancing. It is currently not known how long or to what extent the pandemic will impact the Association's operations. Currently, an estimate of the financial effect to the Association cannot be made as the pandemic's impact is changing daily.

Financial Statements of

# **ENERSOURCE CORPORATION**

And Independent Auditors' Report thereon

Year ended December 31, 2019



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 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, 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in shareholders' 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, 2019, 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 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.



Page 2

### ***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 International Financial Reporting Standards (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.



Page 3

- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

April 21, 2020



# ENERSOURCE CORPORATION

Statement of Financial Position  
(In thousands of Canadian dollars)

December 31, 2019, with comparative information for 2018

	2019	2018
<b>Assets</b>		
Current assets:		
Cash	\$ 6,836	\$ 4,241
Prepaid expense	131	137
	<u>6,967</u>	<u>4,378</u>
Non-current assets:		
Investment in Alectra Inc. (note 5)	600,243	609,060
Interest rate swaps (note 7)	148	405
	<u>600,391</u>	<u>609,465</u>
<b>Total assets</b>	<b>\$ 607,358</b>	<b>\$ 613,843</b>

## Liabilities and Shareholders' Equity

Current liabilities:		
Trade payables	\$ 30	\$ 39
Loans and borrowings (note 7)	2,500	2,500
	<u>2,530</u>	<u>2,539</u>
Non-current liabilities:		
Loans and borrowings (note 7)	50,625	53,125
<b>Total liabilities</b>	<b>53,155</b>	<b>55,664</b>
Shareholders' equity:		
Share capital (note 8)	175,691	175,691
Accumulated other comprehensive loss	(6,108)	(1,672)
Retained earnings	384,620	384,160
Total shareholders' equity	<u>554,203</u>	<u>558,179</u>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 607,358</b>	<b>\$ 613,843</b>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# ENERSOURCE CORPORATION

Statement of Comprehensive Income  
(In thousands of Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Finance income	\$ 187	\$ 111
Share of net income from investment in Alectra Inc. (note 5)	18,008	32,917
Dilution gain on Alectra Inc.'s acquisition of Guelph Hydro Electric Systems Inc. (note 5)	1,471	–
	19,666	33,028
Expenses:		
Office supplies	22	21
Professional services fee	58	86
Board management fee (note 10)	82	74
Finance expense	1,387	1,348
Unrealized fair value loss on interest rate swap (note 7)	257	17
	1,806	1,546
Income before income taxes	17,860	31,482
Income tax recovery (note 6)	–	(289)
Net income	17,860	31,771
Other comprehensive income (loss):		
Share of other comprehensive income (loss) from investment in Alectra Inc. (note 5)	(4,436)	1,860
Total comprehensive income	\$ 13,424	\$ 33,631

See accompanying notes to financial statements.

# ENERSOURCE CORPORATION

Statement of Changes in Shareholders' Equity  
(In thousands of Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	Share capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
2019				
Balance, beginning of year	\$ 175,691	\$ (1,672)	\$ 384,160	\$ 558,179
Net income	—	—	17,860	17,860
Other comprehensive loss	—	(4,436)	—	(4,436)
Dividends paid	—	—	(17,400)	(17,400)
Balance, end of year	\$ 175,691	\$ (6,108)	\$ 384,620	\$ 554,203

	Share capital	Accumulated other comprehensive loss	Retained earnings	Total shareholders' equity
2018				
Balance, beginning of year	\$ 175,691	\$ (3,532)	\$ 366,768	\$ 538,927
Net income	—	—	31,771	31,771
Other comprehensive income	—	1,860	—	1,860
Dividends paid	—	—	(14,379)	(14,379)
Balance, end of year	\$ 175,691	\$ (1,672)	\$ 384,160	\$ 558,179

See accompanying notes to financial statements.

# ENERSOURCE CORPORATION

## Statement of Cash Flows

(In thousands of Canadian dollars)

Year ended December 31, 2019, with comparative information for 2018

	2019	2018
Cash flows provided by (used in):		
Operating activities:		
Comprehensive income	\$ 13,424	\$ 33,631
Items not involving cash:		
Share of net income from investment in Alectra Inc. (note 5)	(18,008)	(32,917)
Share of other comprehensive loss (income) from investment in Alectra Inc. (note 5)	4,436	(1,860)
Gain recognized on Alectra Inc.'s acquisition of Guelph Hydro Electric Systems Inc. (note 5)	(1,471)	—
Interest rate swap (note 7)	257	17
Income tax recovery	—	(289)
Finance income	(187)	(111)
Finance expense	1,387	1,370
Income tax received	—	292
Change in non-cash operating working capital (note 9)	(3)	(83)
Cash flows from (used in) operating activities	(165)	50
Financing activities:		
Repayment of bank loans	(2,500)	(2,500)
Dividends paid	(17,400)	(14,379)
Interest paid	(1,387)	(1,370)
Cash flows used in financing activities	(21,287)	(18,249)
Investing activities:		
Interest received	187	111
Dividends from Alectra Inc. (note 5)	23,860	18,796
Cash from investing activities	24,047	18,907
Increase in cash	2,595	708
Cash, beginning of year	4,241	3,533
Cash, end of year	\$ 6,836	\$ 4,241

See accompanying notes to financial statements.

# ENERSOURCE CORPORATION

Notes to Financial Statements  
(In thousands of Canadian dollars)

Year ended December 31, 2019

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## 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.

On January 31, 2017, the Corporation received a 31% ownership interest in Alectra Inc.'s ("Alectra") issued and outstanding common shares as a result of the formation of Alectra through a series of unrelated transactions. 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.

On January 1, 2019, Alectra amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). Alectra 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 share issuance by Alectra represents an effective 4.6% interest in its aggregate issued and outstanding classes of common shares.

The new shareholder ownership structure of Alectra as a result of this merger is as follows: Barrie Hydro Holdings - 8.4%, Enersource Corporation - 29.57%, Hamilton Utilities Corporation - 17.3%, Markham Enterprises Corporation - 15%, St. Catharines Hydro Inc. - 4.6%, Vaughan Holdings Inc. - 20.5% and GMHI - 4.6%.

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

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## 1. General information (continue):

### (b) Nature of operations:

The Corporation acts as a holding company. The Corporation's principal business activity is to hold its equity interest in Alectra. The Corporation also distributes dividends to its shareholders.

## 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 21, 2020.

### (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 year in which the estimates are revised and in any future years affected.

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

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

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## 4. Significant accounting policies:

### (a) Changes in accounting policies:

Effective January 1, 2019, the Corporation adopted new IFRS standards and applied the following new policies in preparing the financial statements:

#### (i) Leases:

On January 1, 2019, the Corporation adopted IFRS 16 Leases ("IFRS 16"), which supersedes International Accounting Standard ("IAS") 17, Leases, and International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining Whether an Arrangement Contains a Lease.

As the Corporation does not have any leases, therefore there was no impact on the Corporation on adoption of IFRS 16 as at January 1, 2019.

#### (ii) Uncertainty over income tax treatments:

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23"). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for the annual period beginning on January 1, 2019. The adoption of IFRIC 23 did not have an impact on the Corporation's financial statements.

### (b) Investment in Alectra:

The Corporation's interest in Alectra is recognized and measured in accordance with IAS 28, Investments in Associates and Joint Ventures.

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.

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

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## 4. Significant accounting policies (continued):

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.



# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

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## 4. Significant accounting policies (continued):

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Deferred tax liabilities are generally recognized on all taxable temporary differences, except on investments in subsidiaries where it is probable that the reversal of temporary differences associated with investments in subsidiaries will not occur.

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 year.

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

In determining the amount of current and deferred tax, the Corporation takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The Corporation believes that its accruals for tax liabilities are adequate for all tax years subject to audit based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Corporation to change its judgment regarding its income taxes.

### (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.

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 4. Significant accounting policies (continued):

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

## 5. Investment in Alectra:

	2019	2018
Investment in Alectra	\$ 600,243	\$ 609,060

Movement in equity-accounted investee:

	2019	2018
Balance, beginning of year	\$ 609,060	\$ 593,079
Share of net income from investment in Alectra	18,008	32,917
Share of other comprehensive income (loss)	(4,436)	1,860
Gain recognized on acquisition of GHESI	1,471	—
Dividends received from Alectra	(23,860)	(18,796)
Balance, end of year	\$ 600,243	\$ 609,060

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

On January 1, 2019, Alectra amalgamated with GHESI. Alectra issued 485,000 Class G common Shares to GMHI in consideration for all the issued and outstanding shares of GHESI. The dilution in ownership from 31% to 29.57% resulted in a gain of \$1,471 recorded in the statement of comprehensive income.

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 5. Investment in Alectra (continued):

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.

	2019	2018
Ownership interest	29.57	31.00%
Current assets	\$ 625,000	\$ 663,000
Non-current assets	4,431,000	3,992,000
Current liabilities	(750,000)	(788,000)
Non-current liabilities	(2,559,000)	(2,178,000)
Net assets (100%)	1,747,000	1,689,000
Ring Fenced Solar Portfolio net assets	(13,212)	(20,209)
Fair value adjustments from purchase price	296,145	296,145
	\$ 2,029,933	\$ 1,964,936
Carrying value of investment in Alectra (29.57%; 2018 - 31.00%)	\$ 600,243	\$ 609,060
Revenue	\$ 3,779,000	\$ 3,452,000
Depreciation and amortization	(158,000)	(140,000)
Other expenses	(3,463,000)	(3,101,000)
Finance expenses	(74,000)	(64,000)
Income tax expense	(20,000)	(39,000)
Net income	64,000	109,000
Other comprehensive income (loss)	(15,000)	6,000
Total comprehensive income	49,000	115,000
Ring Fenced Solar Portfolio net gain (loss)	3,102	2,816
Share of income (29.57%; 2018 - 31.00%)	\$ 18,008	\$ 32,917
Share of other comprehensive income (loss) (29.57%; 2018 - 31.00%)	(4,436)	1,860

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 6. Income taxes:

The components of income tax recovery for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Current income tax recovery:		
Recovery for the year	\$ —	\$ (289)
<b>Total income tax recovery</b>	<b>\$ —</b>	<b>\$ (289)</b>

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:

	2019	2018
Income before income taxes	\$ 17,860	\$ 31,482
Federal and Ontario statutory income tax rate	26.50%	26.50%
Provision for income taxes at statutory rate	\$ 3,557	\$ 8,912
Increase (decrease) resulting from:		
Recovery of prior year's tax expense due to loss carryback	—	(289)
Differences between accounting and tax treatment of investments in subsidiaries	(3,557)	(8,912)
<b>Provision for income taxes</b>	<b>\$ —</b>	<b>\$ (289)</b>
Effective income tax rate	0.00%	0.86%

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 7. Loans and borrowings:

	2019	2018
Bank loan:		
Current	\$ 2,500	\$ 2,500
Non-current	50,625	53,125
	<u>\$ 53,125</u>	<u>\$ 55,625</u>

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: February 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 2.57% on November 1, 2019 and is carried with quarterly interest payments. Credit Facility B has a 10 year term to maturity and an outstanding balance of \$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 amortizing 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 2019 or 2018. The secured bank loans are guaranteed by the City of Mississauga in the amount of \$70,000.

The Corporation included \$257 of unrealized loss (2018 - \$17 loss) in its financial statements related to the interest rate swap. \$148 (2018 - \$405) is the fair value of the interest rate swap, which represents the amount that the Corporation would have paid to unwind its position as at December 31, 2019. The notional value on the interest rate swap is equal to the outstanding value of Credit Facility B, or \$20,625.

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 7. Loans and borrowings (continued):

Reconciliation of debt arising from financing activities:

	2019	2018
Balance, beginning of year	\$ 55,625	\$ 58,125
Principal repayment	(2,500)	(2,500)
Balance, end of year	\$ 53,125	\$ 55,625

The Corporation made interest payments of \$1,387 (2018 - \$1,370).

## 8. Share capital:

	2019	2018
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.

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 8. Share capital (continued):

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, 2019, there were no cumulative preferential dividends outstanding (2018 – \$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 2019, dividends of \$17,400 (2018 - \$14,379) were declared and paid to the shareholders of the Corporation.

## 9. Change in non-cash operating working capital:

	2019	2018
Prepaid expense	\$ 6	\$ (39)
Trade payables	(9)	(44)
	<u>\$ (3)</u>	<u>\$ (83)</u>

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 10. Related party transactions and balances:

For 2019, a dividend of \$15,660 was declared and paid to the City of Mississauga (2018 - \$12,941), and a dividend of \$1,740 was declared and paid to Borealis (2018 - \$1,438). 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.

	2019	2018
Directors Honorarium and per diems	\$ 82	\$ 74

## 11. Contingencies, provisions, commitments and guarantees:

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, 2019 and December 31, 2018, there are no legal actions where the Corporation is a defendant.



# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

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## 12. 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, 2019 and 2018.

There were no transfers between levels during the year.

The fair values of cash and trade payables 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 7) 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 fair market value for the IRS is \$148 (2018 - \$405). The interest rate swap is classified as a Level 2 in the hierarchy.

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

## 12. Financial instruments and risk management (continued):

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, 2019 and 2018.

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 the 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
Trade payables	\$ 30	\$ —	\$ —
Bank loan (interest and principal)	3,893	14,978	42,738
	<u>\$ 3,923</u>	<u>\$ 14,978</u>	<u>\$ 42,738</u>

# ENERSOURCE CORPORATION

Notes to Financial Statements (continued)  
(In thousands of Canadian dollars)

Year ended December 31, 2019

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## 13. Subsequent events:

### (a) Dividend:

On March 20, 2020, the Corporation received a dividend of \$12,787 from Alectra.

### (b) COVID-19:

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the U.S., Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, in the U.S. and in Ontario, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions, however, the success of these interventions is not currently determinable. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Corporation is not known at this time.

## 2019 Financial Year in Review

### Introduction

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 2019 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:

- the cash resources of the government;
- the net financial asset position, calculated as the difference between financial assets and financial liabilities;
- the non-financial assets that are normally held for service provision such as tangible capital assets; and,
- 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 2019 is \$9.05 billion (2018 \$8.91 billion). The City's 2019 accumulated surplus (Note 10) is comprised of the following balances:

Item (in \$000's)	2019 Actual	2018 Actual
Tangible Capital Assets	8,245,855	8,180,906
Unexpended Capital	204,257	145,032
Long Term Debt	(205,193)	(181,491)
Enersource Corporation	498,783	502,361
Living Arts Centre	120	-
Unfunded Employee Benefits	(207,034)	(209,650)
Reserves	90,750	80,870
Reserve Funds	418,527	391,546
<b>Total Accumulated Surplus</b>	<b>9,046,065</b>	<b>8,909,574</b>

## Financial Assets

Financial assets in 2019 were \$1.97 billion (2018 \$1.78 billion), an increase of \$0.19 billion from the prior year.

Item	Ref #	2019 Actual	2018 Actual	\$ change vs. prior year	% Change
Cash	1	139,017	110,925	28,092	25%
Taxes Receivable	2	47,597	45,567	2,030	4%
Accounts Receivable	3	108,819	96,795	12,024	12%
Loans and Other Receivables	4	450	500	(50)	(10%)
Inventories for Resale	5	107	173	(66)	(38%)
Investments	6	1,179,887	1,020,141	159,746	16%
Investment in Enersource	7	498,783	502,361	(3,578)	(1%)
<b>Total Financial Assets</b>		<b>1,974,660</b>	<b>1,776,462</b>	<b>198,198</b>	<b>11%</b>

## References

### 1. Cash

- **What it is:** Cash is the money available on demand to pay for operating 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 to keep just enough cash on hand for daily needs. The rest goes into investments to earn a higher return.
- **Difference between 2019 and 2018 (\$28.1 million increase):** As it does for individuals, the exact amount of cash on hand on a given day fluctuates based on the timing of bill payments and investment needs. The amount of cash kept on hand is linked with the level of accounts payable liabilities, and the City's cash flow needs are monitored on a daily basis.

### 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 2019 and 2018 (\$2.0 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 2019 and 2018 (\$12.0 million increase):*** This number varies year to year based on the timing of collections from departmental receivables. Penalty and interest charges are applied on all overdue accounts.

#### **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 2019 and 2018 (\$50 thousand decrease):*** Each December, a payment of \$50,000 is applied against the Vic Johnston Community Centre 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 2019 and 2018 (\$66 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 2019 and 2018 (\$159.7 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 29.6% 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 2019 and 2018 (\$3.6 million decrease):*** The \$3.6 million decrease relates to a \$10.8 million share of net income in Enersource Corporation, plus a \$1.3 million dilution gain recognized on Alectra's amalgamation with Guelph Hydro Electric Systems Inc. less the dividend paid to City of \$15.7 million.

## Financial Liabilities

Financial liabilities in 2019 were \$1.19 billion (2018 \$1.06 billion), an increase of \$0.13 billion.

Item	Ref #	2019 Actual	2018 Actual	\$ change vs. prior year	% Change
Accounts Payable and Accrued Liabilities	1	204,908	183,942	20,966	11%
Deferred Revenue-General	2	12,277	10,021	2,256	23%
Deferred Revenue-Obligatory Reserve Funds	3	557,057	473,066	83,991	18%
Employee Benefits and Other Liabilities	4	207,034	209,650	(2,616)	(1%)
Long Term Debt	5	205,193	181,491	23,702	13%
<b>Total Financial Liabilities</b>		<b>1,186,469</b>	<b>1,058,170</b>	<b>128,299</b>	<b>12%</b>

## 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 2019 and 2018 (\$21 million increase):** The timing of payments and year-end accruals affect these liabilities and the City's cash position.

### 2. Deferred Revenue - General

- **What it is:** Deferred revenues are payments received today that are to be recognized as revenue when the related activity takes place in the future. Examples include recreation registrations, facility bookings and transit advertising.
- **Why it's important:** Deferred revenues allow for payments to be received today for future operations.
- **Difference between 2019 and 2018 (\$2.3 million increase):** Normal, ongoing fluctuations – primarily in transit and recreation (memberships, recreation programs, facility bookings) – are responsible for the increase. There were no extraordinary contributors to this balance.

### 3. Deferred Revenue – Obligatory 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 yearend for financial statement reporting requirements. These deferred revenues are converted into revenues when related capital and operating expenses have been incurred.
- **Difference between 2019 and 2018 (\$84 million increase):** The growth in liability was due to growth in the balances of various obligatory Reserve Funds, and unspent 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 2019 and 2018 (\$2.6 million decrease):*** Increases in the actuarial assessments for WSIB, vacation, sick leave, and other liabilities 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 decrease in this category.

#### 5. Long Term Debt

- ***What it is:*** This is the amount of long-term debt being used to help fund investment in capital infrastructure.
- ***Why it's important:*** Debt is one key way the City funds capital infrastructure requirements. The City uses debt conservatively. The property tax base alone is not enough to support future capital infrastructure demands.
- ***Difference between 2019 and 2018 (\$23.7 million increase):*** In 2019, \$48.15 million of new debt was added. This new debt was offset by a pay down of \$24.45 million in prior year debt.

#### Non-Financial Assets

Non-financial assets in 2019 were \$8.26 billion (2018 \$8.19 billion), an increase of \$67 million. Non-financial assets are comprised primarily of tangible capital assets, as well as inventories of supplies, and prepaid expenses.

Item	Ref #	2019 Actual	2018 Actual	\$ change vs. prior year	% Change
Tangible Capital Assets	1	8,245,855	8,180,906	64,949	1%
Inventory of Supplies	2	8,859	7,616	1,243	16%
Prepaid Expenses	3	3,160	2,760	400	14%
<b>Total Non-Financial Liabilities</b>		<b>8,257,874</b>	<b>8,191,282</b>	<b>66,592</b>	<b>1%</b>

#### 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 2019 and 2018 (\$65 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. Inventory 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 2019 and 2018 (\$1.2 million increase):*** The increase is primarily attributed to a growth in traffic signal supplies inventory (\$1.1 million). 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 2019 and 2018 (\$400 thousand increase):*** The net decrease resulted from routine increases/decreases in prepaid expenses across all categories.

## Revenues

Total revenues in 2019 were \$1.096 billion (2018 \$1.063 billion), an increase of \$33.3 million.

Item	Ref #	2019 Actual	2019 Budget	2018 Actual	\$ Change vs. Budget	% Change	\$ Change vs. Prior Year	% Change
Taxation	1	550,983	550,495	525,782	488	0%	25,201	5%
Municipal Accommodation Tax	2	12,152	9,800	8,990	2,352	24%	3,162	35%
User Charges	3	263,215	246,332	258,215	16,883	7%	5,000	2%
Recoveries from Third Parties	4	29,117	5,300	12,991	23,817	449%	16,126	124%
Funding Transfers From Other Governments	5	14,086	1,935	34,964	12,151	628%	(20,878)	(60%)
Development and Other Contributions Applies	6	90,407	-	76,548	90,407		13,859	18%
Investment Income	7	43,607	36,511	35,305	7,096	19%	8,302	24%
Penalties and Interest on Taxes	8	10,806	8,120	9,805	2,686	33%	1,001	10%
Contributed Assets	9	62,392	-	49,581	62,392	-	12,811	26%
Other Revenues	10	5,604	1,706	20,158	3,898	228%	(14,554)	(72%)
Gain on Acquisition of Living Arts Centre	11	1,455	-	-	1,455	-	1,455	-
City Share of Net Income in Enersource Corporation	12	10,758	-	30,268	10,758	-	(19,510)	(64%)
City Share of Dilution Gain Recognized on Alectra's Amalgamation with GHESI	12	1,324	-	-	1,324	-	1,324	-
<b>Total Revenues</b>		<b>1,095,906</b>	<b>860,199</b>	<b>1,062,607</b>	<b>235,707</b>	<b>27%</b>	<b>33,299</b>	<b>3%</b>

## 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 2019 and 2018 (\$25.2 million increase):** There are two components to taxation revenue, assessment growth and the annual business plan & budget. In 2019, assessment growth was 0.811 per cent (0.457 in 2018). For the 2019 Business Plan & Budget, Council approved a 4.5 per cent increase over 2018 in total taxation revenue, which translated to an overall 1.6 per cent increase on the total residential tax bill. The remaining changes are due to payments in lieu of taxes (PILT).
- **Difference between Actual and Budget (\$488 thousand 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) 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.
- ***Why it's important:*** It is a revenue tool that provides the City with an opportunity to generate funds that will be used for future tourism related initiatives
- ***Difference between 2019 and 2018 (\$3.2 million increase):*** This surplus is primarily due to higher occupancy rates.
- ***Difference between Actual and Budget (\$2.4 million surplus):*** This surplus is primarily 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 2019.
- ***Difference between 2019 and 2018 (\$5 million increase):*** There are two key contributors to this increase: Transit fares increased by \$3.7 million, licenses and permits by \$2.7 million. Increases and decreases in other user fee categories accounted for the remaining change.
- ***Difference between Actual and Budget (\$16.9 million surplus):*** \$11.3 million of this surplus related to various City-wide fees, transit revenue surpluses of \$4.9 million, and licenses and permits (\$6 million), offset by decreases in facility rentals (\$2.8 million), Provincial Offences Act fines (\$1.1 million), and various other increases and decreases versus budget in user fees.

## **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 2019 and 2018 (\$16.1 million increase):*** \$15.5 million of the increase is attributed to capital recoveries for work performed on behalf of third parties. The remaining increase can be attributed to various other recoverable works performed.
- ***Difference between Actual and Budget (\$23.8 million surplus):*** Higher than expected capital recoveries account for the 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 2019 and 2018 (\$20.9 million decrease):*** There was a decrease in federal government funding received by the City in 2019 versus 2018.
- ***Difference between Actual and Budget (\$12.2 million surplus):*** Surpluses against the \$1.9 million budget occurred for library, recreation, heritage and culture grants. The balance of the surplus relates to non-budgeted capital government funding such as Public Transit Investment Fund (PTIF).

## **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 2019 and 2018 (\$13.9 million increase):*** The increase is primarily attributed to increased spending from Development Charges and Cash in Lieu of Parkland funding.
- ***Difference between Actual and Budget (\$90.4 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 the interest income for both the Operating and Reserve Funds
- ***Why it's important:*** Investment income helps grow City funds.
- ***Difference between 2019 and 2018 (\$8.3 million increase):*** The increase in investment income reflects an increase in interest rates on available investment products.
- ***Difference between Actual and Budget (\$7.1 million surplus):*** The \$7.1 million surplus relates to a higher rate of interest and higher Reserve Fund balances than projected.

## **8. Penalties & 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 2019 and 2018 (\$1 million increase):*** There was a modest increase in 2019 in penalty and interest revenues over those in 2018. Revenues are dependent on the timing of payment of property taxes.
- ***Difference between Actual and Budget (\$2.7 million surplus):*** There was a surplus of \$2.7 million, a positive variance to the budget of 33 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 2019 and 2018 (\$12.8 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 (\$62.4 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 2019 and 2018 (\$14.6 million decrease):*** This number routinely fluctuates due to its miscellaneous nature. Generally these revenues are one-time revenues and not sustainable.
- ***Difference between Actual and Budget (\$3.9 million surplus):*** The entire amount shows as a variance because City share of net income in Enersource Corporation is not a budgeted item.

#### **11. Gain on Acquisition of Living Arts Centre**

- ***What it is:*** On September 30<sup>th</sup>, 2019, the City assumed effective control of the Living Arts Centre, Live Cuisine Inc. and the Living Arts Centre Foundation. As part of the acquisition of control, the City acquired the entities' assets, assumed liabilities and the responsibility to provide ongoing operations of the entities. This revenue records the accumulated surplus of the Living Arts Centre into the City's financial statements as of the acquisition date.
- ***Why it's important:*** The Living Arts Centre, Live Cuisine Inc. and the Living Arts Centre Foundation now form a part of the City's consolidated financial statements.
- ***Difference between 2019 and 2018 (\$1.5 million increase):*** The gain on acquisition of the Living Arts Centre is a one-time transaction.
- ***Difference between Actual and Budget (\$1.5 million surplus):*** The entire amount in this category shows as surplus because this category is not included in the budget.

#### **12. 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 29.57 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 2019 and 2018 (\$19.5 million decrease):*** 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 (\$10.8 million surplus):*** The entire amount shows as a variance because City share of net income in Enersource Corporation is not a budgeted item.

#### **13. City Share of Dilution Gain Recognized on Alectra's Amalgamation with Guelph Hydro Electric Systems Inc. ("GHESI")**

- ***What it is:*** On January 1, 2019, Alectra amalgamated with Guelph Hydro Electric Systems Inc. ("GHESI"). As a result of this amalgamation, Enersource's interest in Alectra was reduced to 29.57 per cent from 31 per cent.
- ***Why it's important:*** This transaction created a gain on the investments which is reflected in the financial statements.

- ***Difference between 2019 and 2018 (\$1.3 million increase):*** Alectra merged with Guelph Hydro Electric Systems Inc. on January 1<sup>st</sup>, 2019. There were no additional gains or losses on investment recognized in 2019.
- ***Difference between Actual and Budget (\$1.3 million surplus):*** The entire amount in this category shows as surplus because this category is not included in the budget.

## 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 2019 were \$959.4 million (2018 \$938.5 million), an increase of \$20.9 million.

Item	Ref #	2019 Actual	2019 Budget	2018 Actual	\$ Change vs. Budget	% Change	\$ Change vs. Prior Year	% Change
Salaries, Wages & Employee Benefits	1	533,044	539,734	513,720	(6,690)	(1%)	19,324	4%
Long-term Debt Interest and Fees	2	4,507	5,078	4,467	(571)	(11%)	40	1%
Materials & Supplies	3	65,049	61,888	64,613	3,161	5%	436	1%
Contracted Services	4	138,702	54,938	85,157	83,764	152%	53,545	63%
Rents and Financial Expenses	5	68,770	78,623	72,899	(9,853)	(13%)	(4,129)	(6%)
External Transfers to Others	6	6,741	11,245	7,194	(4,504)	(40%)	(453)	(6%)
Loss on Disposal of Tangible Capital Assets	7	2,504	-	49,994	2,504	-	(47,490)	(95%)
Amortization	8	140,098	146,188	140,468	(6,090)	(4%)	(370)	(0%)
<b>Total Expenses</b>		<b>959,415</b>	<b>897,694</b>	<b>938,512</b>	<b>61,721</b>	<b>7%</b>	<b>20,903</b>	<b>2%</b>

## References

### 1. Salaries, Wages & 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 2019 and 2018 (\$19.3 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 (\$6.7 million surplus):*** An operating surplus of \$13.7 million occurred due to position vacancies and delays in new hires. This surplus was offset by non-budgeted costs such as benefit adjustments and ineligible salaries for tangible capital assets of \$7 million.

## **2. Long-Term Debt Interest and Fees**

- ***What it is:*** This figure represents all debt management and interest fees associated with the City's debt.
- ***Why it's important:*** Debt is a source of funding for capital projects. Provincial legislation allows municipalities to carry debt equivalent to 25 per cent of own-source revenue. The City's debt policy limits debt repayment to 15 per cent of own source revenues. The City is currently well within that range at 4% of own source revenues.
- ***Difference between 2019 and 2018 (\$40 thousand increase):*** 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 four per cent in 2019.
- ***Difference between Actual and Budget (\$0.6 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 2019 and 2018 (\$0.4 million increase):*** The minor year-over-year increase in costs related to general operating materials across all departments.
- ***Difference between Actual and Budget (\$3.2 million deficit):*** The deficit is a result of \$3.2 million in ineligible tangible capital asset costs.

## **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 2019 and 2018 (\$53.5 million increase):*** This increase is mainly due to non-budgeted, ineligible contracted services for tangible capital assets.
- ***Difference between Actual and Budget (\$83.8 million deficit):*** The deficit against budget is mainly due to the non-budgeted ineligible contracted services for tangible capital assets. 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 2019 and 2018 (\$4.1 million decrease):*** The main contributors to the decrease were insurance related costs of \$0.5 million, storm water and PSAB liability expenses of \$2.7 million. Various increases and decreases in other City-wide expenses accounted for the balance of the change.

- ***Difference between Actual and Budget (\$9.9 million surplus):*** The majority of this surplus can be attributed to ineligible tangible capital asset expenses (\$7.8 million), along with various increases and decreases in other City-wide categories accounted for the balance of the change.

#### **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 wellbeing and success of our thriving city.
- ***Difference between 2019 and 2018 (\$0.5 million decrease):*** The decrease primarily results to economic development grants of \$1 million, offset by other departmental grants and funding to third parties.
- ***Difference between Actual and Budget (\$4.5 million surplus):*** The surplus showing in this category is attributable to lower revenue & taxation rebates processed.

#### **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 2019 and 2018 (\$47.5 million decrease):*** Loss on disposal of assets varies from year to year depending on the identification and disposal of assets.
- ***Difference between Actual and Budget (\$2.5 million deficit):*** The full amount shows as a deficit against budget because loss on disposal of assets is not a budgeted item.

#### **8. Amortization**

- ***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 2019 and 2018 (\$0.4 million decrease):*** The total amortization amount increases as the City's capital assets grow.
- ***Difference between Actual and Budget (\$6.1 million surplus):*** Amortization is not included in the annual operating budget: however, for the purpose of the financial statements an estimate is included to match up against the expense. In this instance, the expenditure was 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 2019 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 2019 was \$8.246 billion (2018 \$8.181 billion). Refer to Note #9 in the financial statements for a detailed breakdown of tangible capital asset activity.

The annual amortization expense in 2019 was \$140.1 million (2018 \$140.5 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 2019 totalled \$509.3 million (2018 \$472.4 million), an increase of \$36.9 million from the prior year. The Reserves and Reserve Fund totals do not include development charges, senior government grants, and other reserve funds 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 2019 were \$90.8 million (2018 \$80.9 million), an increase of \$9.9 million.

### **Reserve Funds**

Reserve Funds are non-discretionary, segregated and restricted to meet specific identified purposes for the municipality. Total Reserve Funds in 2019 were \$418.5 million (2017 \$391.5 million), an increase of \$27 million from the prior year.

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

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

# City of Mississauga

# Corporate Report



Date: April 23, 2020

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:  
May 11, 2020

## Subject

**2019 External Audit Findings Report**

## Recommendation

That the 2019 External Audit Findings Report, dated April 23rd, 2020 from the Commissioner of Corporate Services and Chief Financial Officer, which includes the Audit Findings Report from KPMG for the fiscal year 2019 for the City of Mississauga (City), be received for information.

## Report Highlights

- The 2019 External Audit Findings Report provides an overview of the 2019 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 were 2 uncorrected audit differences for the City. Management has decided not to correct these differences and represented to the auditors that the differences, individually and in aggregate, in their judgement, are not material to the financial statements.
- There were two 2 corrected adjustments, related to the change in methodology that the City employed for unspent capital funds from obligatory reserve funds. Processes have been adjusted to accommodate this change in future years.
- There was 1 process improvement recommendation, which will be implemented as part of a Lean Project on the year-end financial reporting process.
- In 2018, there were 3 process improvement recommendations that have since been implemented.

## 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 2019, 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 2019 and have issued an Audit Findings Report for information.

The 2019 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.

### 2019 Corrected Adjustments: City Consolidated Financial Statements

There were two corrected adjustments in the 2019 financial statements, both related to an accounting methodology change the City applied during the year.

In 2019, the City reviewed its application of accounting methodology to recognize revenue on Development Charges as well as other obligatory reserve funds (e.g. Cash-in-lieu of parkland, Federal and Provincial Gas Taxes), and made the decision to apply unspent funds back to deferred revenue for non-DC – obligatory reserve funds moving forward.

As a result, the following changes were made:

- The 2018 period was recast and adjusted to increase revenue by \$3.28 million, increase deferred revenue— obligatory reserve funds by \$66.84 million, and decrease opening accumulated surplus as at January 1, 2018 by \$70.13 million.
- The current 2019 period was adjusted by \$1.9M to decrease revenue and increase deferred revenue – obligatory reserve funds to reflect corrections.

#### 2019 Uncorrected Differences: City Consolidated Financial Statements

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.

- In 2019, an out-of-period adjustment amounting to \$2.5 million was recorded to capitalize tangible capital assets – work in process and to record recoveries revenue for a transaction that occurred in 2018. As the amount is not material to the financial statements, it has not been corrected to the 2018 period; however, we have presented an uncorrected difference as a result of this out-of-period adjustment.
- The City recorded an adjustment in 2019 relating to an uncorrected difference carried over from 2018 on the amortization rate of periodicals. Consolidated tangible capital assets was adjusted downwards by \$1.8 million in the City's 2019 financial statements, however, given that the underlying transaction arose in 2018, this is an out-of-period adjustment for which we have presented an uncorrected difference impacting on 2019 results. The adjustment is not material to the City in either 2019 or 2018.

#### 2019 Process Improvement Recommendations

There was one process improvement recommendation from the 2019 external audit related to revenue recognition of obligatory reserve funds. The auditor's noted that, with the accounting methodology changes related to revenue recognition of deferred revenue – obligatory reserve funds made this year, management should review its current finance policies and procedures. These procedures should be reflective of the City's current operations, include recently created business activities or accounts, and procedures are applied consistently across similar areas affecting the elements in the financial statements.

#### *Management Comments:*

The City has a robust year-end financial reporting process, involving staff across the organization including Accounting, Payroll, Accounts Payable, Departmental Finance Staff, Tangible Capital Asset staff and project managers. The year-end schedule reinforces year-end accounting requirements, provides documented standard operating procedures on major requirements, and is updated frequently to account for new or updated public sector accounting standards.

Management recognizes that improvements can continue to be made on the year-end financial reporting process. As part of the City's Lean Program, a Lean Project has been initiated on the year-end financial reporting process to review and revise the current procedures in place. Management will ensure that procedures related to the accounting treatment of obligatory reserve funds specifically will be incorporated within the project scope, along with how to account for new business activities into the City's financial statements.

## Financial Impact

There is no financial impact as a direct result of this report.

## Conclusion

The 2019 External Audit Findings Report provides an overview of the 2019 audit process.

The report highlights any audit findings and/or audit observations and recommendations for the Audit Committee's review and consideration. There were 2 corrected adjustments related to the City's change in accounting methodology related to deferred revenues, obligatory reserve funds. A Lean review of the year-end financial reporting process will ensure that year-end processes are in place to identify this in the 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 was one process improvement recommendation for the City to review its procedures related to year-end reporting. Management agrees with the recommendations and will be implementing a Lean review of the year-end reporting process and will revise the procedures as appropriate.

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

## Attachments

Appendix 1: 2019 Audit Findings Report



G. Kent.

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

Prepared by: Wesley Anderson, Manager, Financial & Treasury Services

# The Corporation of the City of Mississauga

Audit Findings Report  
for the year ended December 31, 2019

*KPMG LLP*

Licensed Public Accountants

May 1, 2020

[kpmg.ca/audit](http://kpmg.ca/audit)



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## KPMG contacts

The contacts at KPMG in connection with this report are:

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Kevin Travers, CPA, CA

**Audit Engagement Partner**

Tel: 416-228-7008

ktravers@kpmg.ca

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Shelyane Li, CPA, CA

**Audit Senior Manager**

Tel: 416-224-4113

shelyaneli@kpmg.ca

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# Executive summary

## Purpose of this report<sup>1</sup>

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 (“financial statements”) of the Corporation of the City of Mississauga (“City”), as at and for the year ended December 31, 2019. This Audit Findings Report builds on the Audit Plan we presented to you on December 2, 2019.

### Changes from the Audit Plan

We highlight a significant change from the Audit Planning Report previously presented to you:

An adjustment was made to the 2018 comparative figures affecting deferred revenue - obligatory reserve funds. This matter impacted our audit approach. Refer to page 5.

### Finalizing the Audit

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

Our audit report is dated the date of approval of the financial statements by the Treasurer, May 1, 2020.

### Independence

We confirm our independence to the City. We confirm that we are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada.

### Significant and other accounting policies and practices

There was no change to the significant accounting policies during the year.

The City adopted a new public sector accounting standard in 2019. See page 10 for considerations regarding the implementation of the new standard in the current year financial statements.

### Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal control over financial reporting. We do, however, provide our observations and recommendations on certain processes on page 13.

<sup>1</sup> 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.

### Adjustments and Differences

There were two corrected adjustments and two differences that remain uncorrected.

See page 11.

### Financial statement presentation and disclosure

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

### Accounting estimates

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

The 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.

See pages 7 and 8.

### Financial impact of COVID-19

We have discussed the impact of COVID-19 on the operations of the City with management. Due to the uncertainty of the future financial impact to the City, management has added a subsequent event to the notes to the financial statements.

See also Appendix 1 on page 20 for resources.

## Relevant factors affecting our risk assessment

Complexity



# 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.

## 1 Presumed Risk

Fraud risk from revenue recognition

### Significant financial reporting risk

This is a presumed fraud risk. The identified fraud risk is over revenue recognition related to revenue transactions that are not in the normal course of business and deferred revenue. The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well as management's calculation of the deferred revenue – obligatory reserve funds.

### 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 of selected relevant controls over manual journal entries and other adjustments for revenue transactions.
- 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.

Other audit procedures included:

- Tested journal entries that are susceptible to manipulation through management override and unusual journal entries. See further details on page 9.
- As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively tested revenues (both recognized and amounts held as deferred at year end) and analyzed unspent obligatory reserve funds through auditing management's methodology. There was a recast of 2018 revenues and obligatory reserve funds as a result of ensuring that the City was consistently applying the same accounting treatment to each of its obligatory reserve funds. See further details on page 5.
- Substantively tested development charges and other obligatory reserves cash receipts.
- We obtained and reviewed the continuity for deferred revenue prepared by management. KPMG also selected a sample of the increases (cash receipts) and decreases (revenue recognition) for deferred revenue during the current year.
- See also page 13 for our observations on deferred revenue – obligatory reserve funds.

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

# Audit risks and results

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## 2 Presumed Risk

Fraud risk from management override of controls

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### Significant financial reporting risk

Management override of controls is a presumed significant risk as prescribed by professional auditing standards.

### 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 9.
- 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.

# Audit risks and results

## 3 Area of focus

Deferred revenue – obligatory reserve funds

### Other area of focus

Revenue recognition related to expenditures of obligatory reserve fund contributions.

### Our response and significant findings

- In 2019, the City reviewed its application of accounting methodology employed to recognize revenue on development charges (“DCs”) as well as other obligatory reserve funds. It was discovered that an adjustment to apply unspent funds back to deferred revenue for non-DC - obligatory reserve funds was not done. Unspent DCs continue to be appropriately applied back to deferred revenue – obligatory reserve funds as it has in the past. The two types of deferred revenue – obligatory reserves are similar due to their externally-restrictive nature in how they are to be expended.
- The adjustment arose from the City identifying an inconsistent accounting treatment being applied to the timing of the revenue recognition related to the various sources of their obligatory reserve funds. Throughout the year, the City recognizes revenue from obligatory reserve funds when certain capital project budgets are approved by City Council and an obligatory reserve fund is approved as the project’s funding source, in whole or partially. At the end of the year, an adjustment to reverse revenue recognized for amounts of DCs approved for projects but that remain unspent at the end of the year is recorded by the City. However, the same step was not done for other non-DC obligatory reserve funds, such as gas tax funds and certain cash-in-lieu parklands funds. This resulted in an understatement of deferred revenue – obligatory reserve funds and an overstatement of accumulated surplus as at January 1, 2018, and an immaterial understatement of revenues for the year ended 2018.
- Accordingly, the 2018 comparative figures were recast in the financial statements through:
  - Increase in development and other contributions applied revenue of \$3,283K
  - Increase in deferred revenue – obligatory reserve funds of \$66,842K
  - Decrease in opening accumulated surplus as at January 1, 2018 of \$70,125K
- Note 2 to the City’s financial statements describes the impact of the recast of the 2018 period.
- We reviewed management’s analysis of unspent non-DC obligatory reserve funds for the years ending December 31, 2018 and 2017. We selected a sample of projects from each period and tested the amounts recognized as revenue to Council-approved budgets and agreed project expenditures to expenses recorded in the general ledger. We tested the completeness of the projects identified as having unspent balances.
- In the current year, our testing over obligatory reserve contributions, revenue recognized, and unspent obligatory reserves followed the procedures described on page 3.
- Errors identified in the data were corrected by management prior to making the final adjustments.
- We concur with the adjustment recorded. Refer also to our process improvement observations on page 13 for more details.

# Audit risks and results

## 4 Area of focus Refund of development charges

### Other area of focus

The City issued an aggregate of \$27.2M in refunds to various parties who appealed the rates charged under the City's DC by-law of 2014. The Local Planning Appeal Tribunal (LPAT) issued its decision in 2019 and a settlement was reached with the parties.

### Our response and significant findings

- The City calculated the refund rates as agreed upon in the settlement using historical data of DCs collected since 2014. Aggregate interest of \$243K was also calculated and paid with the refunds. The refund was appropriately accounted for as a reduction to the DC obligatory reserve funds.
- In our audit, we selected a sample of DCs collected and verified the original cash receipts and vouched the refund paid. We also verified both the original rates charged and the amended rates as identified in the LPAT decision.
- We assessed the completeness of refunds through an assessment of the DCs receipts compiled by the City compared to previously audited data on amounts received.
- There were no issues found as a result of the above procedures.

## 5 Other area of focus Enersource Corporation

### Other area of focus

As noted in our Audit Planning Report, we assessed Enersource Corporation ("Enersource") as a significant component to the City's financial statements.

### Our response and significant findings

- The City recognizes its 90% investment in Enersource using the modified equity method.
- We reviewed the modified equity calculation and note that there are two major components to the calculation, which are: Enersource's current year net income / other comprehensive income of \$10.8M (2018 - \$30.3M) and Enersource's dividend declared and paid to the City of \$15.7M (2018 - \$12.9M). These transactions are disclosed in note 5 of the financial statements.
- No exceptions were noted during testing.

# Audit risks and results - estimates

## 6 Area of focus Employee Future Benefits

### Other area of focus

There is estimation uncertainty due to assumptions and estimates used by the actuary in calculating the liability for Employee Future Benefits

Management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “estimates with significant risk.”

We believe management’s process for identifying estimates with significant risk is considered adequate.

### Our response and significant findings

- In 2019, management engaged an external actuarial consultant to undertake a valuation of the City’s WSIB, non-pension retirement benefits and accumulated sick leave liability as at December 31, 2019. An actuarial valuation was performed to determine the liability as reported in the City’s 2019 consolidated financial statements. The employee future benefit liabilities as at December 31, 2019 are outlined in note 7 to the financial statements.
- As this was a full valuation year, we performed substantive testing to validate the existence, accuracy, and completeness of the HR and census data that was compiled by the City and provided to the actuaries for their valuations. There were no issues in testing the source data.
- We reviewed the actuarial valuation reports and assumptions applied in the valuation, and performed trend analysis on the liability. A discount rate of 4% (2018 – 4%) was used for the determination of the liability. KPMG reviewed the discount rate in comparison with rates issued by the Canadian Institute of Actuaries and noted that the rate used by the City is reasonable.
- The Canadian auditing standards require that we review the qualifications, competence and objectivity of the preparer of the estimate.
- Based on the analysis and testing performed, we did not identify any discrepancies.

# Audit risks and results - estimates

## 7 Area of focus Contingencies

### Other area of focus

Estimation uncertainty related to the likelihood and measurement of contingent liability.

### Our response and significant findings

- 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, etc.
- We reviewed the City's assessments of contingent liabilities and the process employed to develop and record the related estimated liabilities. Where applicable, KPMG discussed with the individuals responsible for the process and is satisfied that the methodology used is rational, consistent with the approach taken in prior years and has been appropriately reviewed.
- As these items are resolved, it is possible that the final amounts recorded for these liabilities may change, however the amounts currently recorded represent management's best estimates of exposure given the information presently available.
- We did not note any issues in the City's assessment of contingent liabilities and amount of related liabilities that were recorded and reported for the year-ended December 31, 2019.



# Technology in the audit

As previously communicated in our Audit Planning Report, we have utilized technology to enhance the quality and effectiveness of the audit.



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

Tool	Our results and insights
<b>KPMG Clara Client Collaboration</b>	<p>We have a new tool available for requesting and receiving all the audit requests. This tool is web-based and would allow the finance team to upload responses to our specific requests via link on the web portal. This technology is currently being used for a number of our other clients with great success and improvement in the amount of time spent dealing with audit requests.</p> <p>KPMG discussed this tool with the City. We have debriefed on the effectiveness of this tool and will continue to work with our technology team to enhance this tool for the City's audit going-forward.</p>
<b>Journal Entry Analysis</b>	<p>We utilized Computer Assisted Audit Techniques ("CAATs") to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for further testing.</p> <p>We developed a set of high-risk criteria and applied the criteria to the entire population of journal entries.</p> <p>Journal entries containing high risk conditions were tested to ensure they were supported by proper documentation and followed the journal entry initiation and approval controls and process in place.</p> <p>We did not find any exceptions in our testing over journal entries.</p>
<b>Data &amp; Analytics Routines</b>	<p>We evaluated the completeness of the journal entry population through a roll-forward of the entire GL.</p> <p>The GL roll consists of a summation of all automated and manual journal entries posted during the fiscal year and a comparison of the calculated amounts to the account balances as at and for the year ended December 31, 2019 as reported by management.</p> <p>The GL extraction was found to be complete and containing all entries recorded during the year. We were able to use this complete extraction for our testing of high-risk journal entries.</p> <p>No issues were identified.</p>

# Significant and other accounting policies and practices



## Initial selections

There were no initial selections of significant accounting policies and practices. The following new accounting policy was effective and applied during the year as required under Public Sector Accounting Standards. This accounting policy was applied prospectively for the financial statements for the year ended December 31, 2019.



## Changes

Changes to significant accounting policies and practices and the impact on the financial statements are disclosed in note 1(w) to the financial statements.

Beginning in fiscal 2019, the City is now required to adopt the following new public sector accounting standard (PSAS):

### PS 3430 – Restructuring Transactions

- This section establishes standards on how to account for and report restructuring transactions by both transferors and recipients of asset and/or liabilities, together with related program and operating responsibilities. Individual assets and liabilities received in a restructuring transaction should be recognized by the recipient if they meet the definitions of assets and liabilities and applicable recognition criteria at the restructuring date. Individual assets and liabilities transferred in a restructuring transaction should be derecognized by the transferor if they no longer meet the definition of assets and liabilities and applicable recognition criteria at the restructuring date.
  - The City has internal policies to identify and monitor restructuring transactions. Our findings from our review of internal policies and procedures were consistent in this regard. At the completion of the audit, we obtained from management a signed representation letter indicating that there were no restructuring transactions that were not identified to us or disclosed in the financial statements.
- The City accounted for its acquisition of the Living Arts Centre and its related entities (LAC entities) under this new PS 3430 Restructuring Transactions standard. Assets were acquired and liabilities were assumed at their carrying amounts as at September 30, 2019. Revenue and expenses of the LAC entities from the date of acquisition to December 31, 2019 were recorded in the City's consolidated statement of operations.
  - The restructuring transaction and its accounting is described in note 22 to the financial statements.
  - In our audit, we obtained the accounting records of the LAC entities as at December 31, 2019 and for the period from September 30, 2019 to December 31, 2019. We tested significant accounts, including reviewing bank reconciliations and performing a search for unrecorded liabilities, testing a sample of revenue and expense transactions. There were no issues noted with the accounting for the restructuring transaction with the LAC entities.

# Uncorrected differences and Corrected Adjustments

Differences and adjustments include disclosure differences and adjustments.

Professional standards require that we request of management that all identified differences be corrected. We have already made this request of management.

## Uncorrected differences

The following differenced remain uncorrected:

- In 2019, an out-of-period adjustment amounting to \$2.5M was recorded to capitalize tangible capital assets – work in process and to record recoveries revenue for a transaction that occurred in 2018. As the amount is not material to the financial statements, it has not been corrected to the 2018 period, however, we have presented an uncorrected difference as a result of this out-of-period adjustment.
- The City recorded an adjustment in 2019 relating to an uncorrected difference carried over from 2018. Consolidated tangible capital assets was adjusted downwards by \$1.8M in the City's 2019 financial statements, however, given that the underlying transaction arose in 2018, this is an out-of-period adjustment for which we have presented an uncorrected difference impacting on 2019 results. The adjustment is not material to the City in either 2019 or 2018.

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.

## 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.

- The 2018 period was recast and adjusted to increase revenue by \$3,283K, increase deferred revenue– obligatory reserve funds by \$66,842K, and decrease opening accumulated surplus as at January 1, 2018 by \$70,125K.
- The current 2019 period was adjusted by \$1.9M to decrease revenue and increase deferred revenue – obligatory reserve funds to reflect corrections.

Both of these adjustments were part of the City's adjustments described on page 5.

# Control deficiencies

In accordance with professional standards, we are required to communicate to the audit committee significant deficiencies in internal control over financial reporting (ICFR) that we identified during our audit.

The purpose of our audit is to express an opinion on the financial statements. Our audit included consideration of ICFR 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 ICFR. The matters being reported are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to the audit committee.

## Significant deficiencies

There were no significant deficiencies identified.

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# Other observations

Item	Observation
<b>Revenue recognition of obligatory reserve funds</b>	<p>As a result of the observations described on page 5, it was noted that management's year-end closing process previously treated certain of their obligatory reserve funds on a different basis. This matter specific to revenue recognition of deferred revenue – obligatory reserve funds has been corrected in the current year, however, in order to reduce the potential for material misstatement as a result of other early recognition of revenues and assets or delayed recognition of expenses and liabilities, or from inaccurate reporting practices, we recommend that management review its current finance manual of policies and procedures. The current policies and procedures should be reflective of the City's current operations, include any recently created business activities or accounts, and are applied consistently across similar all areas affecting the elements in the financial statements.</p>

# Current developments and audit trends

Title	Details	Link
<b>Public Sector Update – connection series</b>	Public Sector Accounting Standards are evolving – Get a comprehensive update on the latest developments from our PSAB professionals. Learn about current changes to the standards, active projects and exposure drafts, and other items.	Contact your KPMG team representative to sign up for these webinars. <a href="#">Public Sector Minute Link</a>

Our discussions with you 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
<b>2019 Audit Quality and Transparency Report</b>	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?	<a href="#">Link to report</a>
<b>Accelerate</b>	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, including: <ul style="list-style-type: none"> <li>o Digital disruption of the finance function</li> <li>o Digital business brings increased cyber risk</li> <li>o Taking the lead on data privacy</li> <li>o Boards bracing for climate change</li> <li>o Future-proofing your ERM</li> </ul>	<a href="#">Link to report</a>
<b>Bracing for digital disruption</b>	The digital revolution may be well into its prime, but the disruption is far from over. New and emerging technologies continue to shape (and reshape) how organizations operate and adapt to their customers. While these tools have opened the doors to new capabilities and market opportunities, they have also driven the need for stronger and more adaptive risk management strategies.	<a href="#">Link to report</a>

Thought Leadership	Overview	Links
<b>Put your data to work to gain competitive advantage</b>	There is no "digital economy". The economy is digital and "digits" refer to data. Data is the lifeblood of every organization on this planet and organizations that embrace this notion are well positioned to grow as industries continue to evolve and disrupt at an ever increasing pace.	<a href="#">Link to report</a>
<b>Predictive analytics, it works</b>	CEOs recognize the value that predictive analytics delivers to their decision-making process.	<a href="#">Link to report</a>
<b>Creating the workforce of the future</b>	You can't transform the organization without also transforming the workforce. It may be time to rethink the people strategy.	<a href="#">Link to report</a>

## Public Sector Accounting Standards

The following are upcoming changes that are effective in the current year or will be effective in future periods as they pertain to Public Sector Accounting Standards. 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
<b>Asset Retirement Obligations</b>  (applicable for the year ending December 31, 2022 with a retrospective application effective December 31, 2020)	<ul style="list-style-type: none"> <li>— A new standard, PS3280 <i>Asset Retirement Obligations</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2021 (the City's 2022 year-end).</li> <li>— 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.</li> <li>— 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.</li> <li>— As a result of the new standard, the public sector entity would have to:               <ul style="list-style-type: none"> <li>○ consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;</li> <li>○ 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;</li> <li>○ 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.</li> </ul> </li> </ul>

Standard	Summary and implications
<b>Revenue</b>	<ul style="list-style-type: none"> <li>— A new standard, PS3400 <i>Revenues</i>, has been approved that is effective for fiscal years beginning on or after April 1, 2022 (the City's 2023 year-end).</li> <li>— The new standard establishes a single framework to categorize revenues to enhance the consistency of revenue recognition and its measurement.</li> <li>— 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.</li> <li>— 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.</li> </ul>
<b>Financial Instruments and Foreign Currency Translation</b>	<ul style="list-style-type: none"> <li>— New accounting standards, PS3450 <i>Financial Instruments</i>, PS2601 <i>Foreign Currency Translation</i>, PS1201 <i>Financial Statement Presentation</i> and PS3041 <i>Portfolio Investments</i> have been approved by PSAB and are effective for years commencing on or after April 1, 2021 (the City's 2022 year-end).</li> <li>— 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.</li> <li>— Hedge accounting is not permitted.</li> <li>— A new statement, the Statement of Re-measurement 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.</li> </ul> <p>Based on stakeholder feedback received, PSAB is considering certain scope amendments to PS 3450 <i>Financial Instruments</i>. An exposure draft with the amendments is expected to be issued in 2020. 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.</p>
<b>Employee Future Benefit Obligation</b>	<ul style="list-style-type: none"> <li>— PSAB has initiated a review of sections PS3250 <i>Retirement Benefits</i> and PS3255 <i>Post-Employment Benefits, Compensated Absences and Termination Benefits</i>. 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.</li> <li>— 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.</li> <li>— The ultimate objective of this project is to issue a new employment benefits section to replace existing guidance.</li> </ul>



Standard	Summary and implications
<b>Public Private Partnerships (“P3”)</b>	<ul style="list-style-type: none"> <li>— 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. The objective is to develop a public sector accounting standard specific to public private partnerships.</li> <li>— 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. An Exposure Draft of the new standard was issued in November 2019.</li> <li>— Public private partnership infrastructure is recognized as an asset when the public sector entity acquires control of the infrastructure. A liability is recognized when the asset is recognized and may be a financial liability, a performance obligation or a combination of both</li> <li>— An infrastructure asset acquired in an exchange transaction is recorded at cost which is equal to its fair value on the measurement date. The liability is measured at the cost of the infrastructure asset initially</li> <li>— Subsequently, the infrastructure asset is amortized in a rational and systematic manner over its useful life</li> <li>— Subsequent measurement of the financial liability would reflect the payments made by the public sector entity to settle the liability as well as the finance charge passed on to the public sector entity through the public private partnership agreement.</li> <li>— Subsequent measurement of the performance obligation: revenues are recognized and the liability reduced in accordance with the substance of the public private partnership agreement</li> </ul>
<b>Concepts Underlying Financial Performance</b>	<ul style="list-style-type: none"> <li>— PSAB is in the process of reviewing the conceptual framework that provides the core concepts and objectives underlying Canadian public sector accounting standards.</li> <li>— PSAB is developing two exposure drafts (one for a revised conceptual framework and one for a revised reporting model) with two accompanying basis for conclusions documents and resulting consequential amendments. PSAB expects to issue the two exposure drafts and accompanying documents in 2020.</li> <li>— A Statement of Concepts (“SOC”) and Statement of Principles (“SOP”) were issued for comment in May 2018.</li> <li>— The SOC proposes a revised, ten chapter conceptual framework intended to replace PS 1000 <i>Financial Statement Concepts</i> and PS 1100 <i>Financial Statement Objectives</i>. 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.</li> <li>— The SOP includes principles intended to replace PS 1201 <i>Financial Statement Presentation</i>. The SOP proposes: <ul style="list-style-type: none"> <li>○ 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.</li> <li>○ Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).</li> <li>○ Restructuring the statement of financial position to present non-financial assets before liabilities.</li> <li>○ 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).</li> <li>○ A new provision whereby an entity can use an amended budget in certain circumstances.</li> </ul> </li> <li>— Inclusion of disclosures related to risks and uncertainties that could affect the entity's financial position.</li> </ul>

Standard	Summary and implications
<b>2019 – 2020 Annual Improvements</b>	<ul style="list-style-type: none"> <li>— PSAB adopted an annual improvements process to make minor improvements to the CPA Canada Public Sector Accounting (PSA) Handbook or Statements of Recommended Practices (other guidance).</li> <li>— The annual improvement process:               <ul style="list-style-type: none"> <li>○ clarifies standards or other guidance; or</li> <li>○ corrects relatively minor unintended consequences, conflicts or oversights.</li> </ul> </li> <li>— Major or narrow scope amendments to the standards or other guidance are not included in the annual improvement process.</li> </ul>
<b>International Strategy</b>	<ul style="list-style-type: none"> <li>— PSAB is in the process of reviewing its current approach towards International Public Sector Accounting Standards (IPSAS). This project may result in changes to the role PSAB plays in setting standards in Canada.</li> <li>— 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. Over 2017-2021 period, PSAB intends to do the following:               <ul style="list-style-type: none"> <li>○ conduct research on differences between Canadian Public Sector Accounting Standards and International Accounting Standards;</li> <li>○ learn about experiences of other jurisdictions that choose to follow IPSAS; publish a consultation paper to get the opinion of stakeholders;</li> <li>○ and, develop options for PSAB's International strategy.</li> </ul> </li> </ul>
<b>Purchased Intangibles</b>	<ul style="list-style-type: none"> <li>— As a result of stakeholder feedback received, PSAB will revisit validity of the prohibition against recognizing purchased intangibles in public sector financial statements and will consider a narrow scope amendment.</li> <li>— Input received in response to the 2018 conceptual framework and reporting model documents for comment supported PSAB relocating the recognition prohibitions from the conceptual framework to the standards level. This is a bigger issue for Indigenous governments. PSAB is looking into the question of why purchased intangibles acquired through an exchange transaction cannot be recognized in public sector financial statements as they are measureable at the price in the transaction.</li> </ul>



# Appendix 1 - Resources - COVID-19 Pandemic

Resources	
<b>Resources for Management, Board and Committee members</b>	<p><a href="#">COVID-19 Alerts (Live Link)</a></p> <p>Please visit our COVID-19 website for resources regarding the topics below. This site is being <u>updated daily</u> based on information being released by Federal, Provincial and Municipal news releases.</p> <ul style="list-style-type: none"><li>— Business continuity guide</li><li>— Immediate actions to take</li><li>— Medium to long-term actions</li><li>— Tax considerations and a summary of Federal and Provincial programs</li><li>— Legal considerations</li><li>— Financial reporting and audit considerations</li><li>— Global perspectives</li></ul>

## Appendix 2: Other 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:

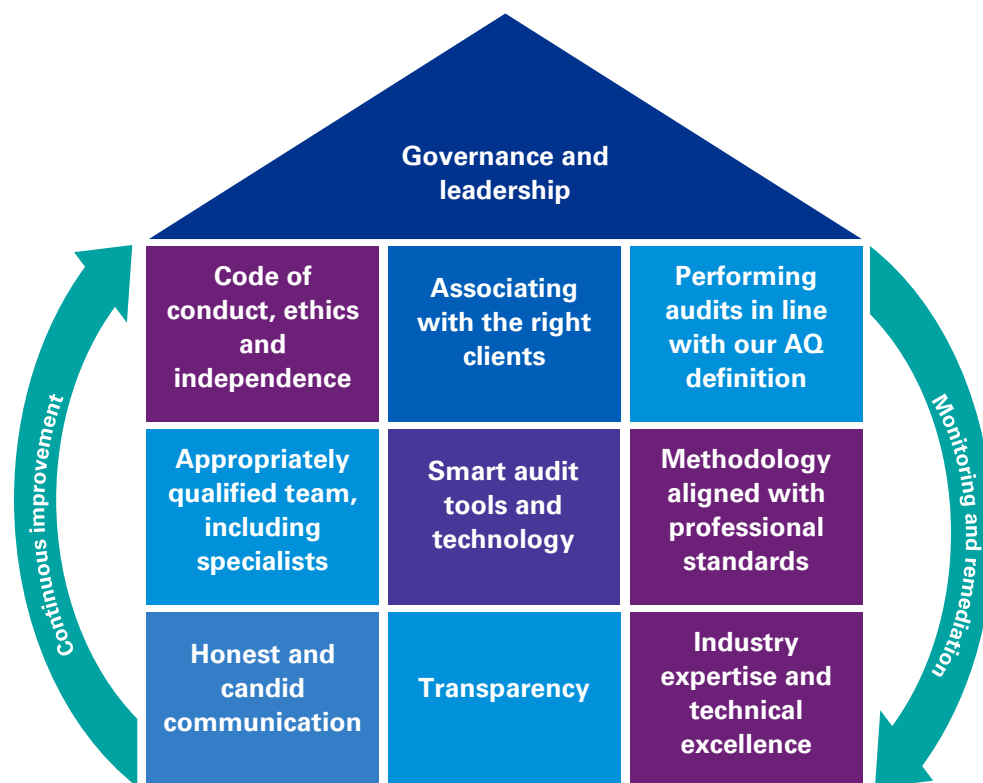
Auditor's report	Management representation letter
The conclusion of our audit is set out in our draft auditors' report attached to the draft financial statements.	In accordance with professional standards, Management have provided you with a copy of the representation letter for the audit of the financial statements.
Audit quality	
Audit Quality (AQ) is at the core of everything we do at KPMG. Appendix 3 provides more information on AQ.	

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# Appendix 3: 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 key elements of our quality control system.



Audit Quality Framework

## What do we mean by audit quality?

Audit Quality (AQ) is at the core of everything we do at KPMG.

We believe that it is not just about reaching the right opinion, but how we reach that opinion.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics, and integrity**.

Our AQ Framework summarises how we deliver AQ. Visit our [Audit Quality Resources page](#) for more information including access to our [Audit Quality and Transparency report](#).



## Appendix 4:

# Preparing for PSAB Standard Changes

Are you ready to implement PSAB's impactful series of new standards?

Public sector entities are preparing to implement three significant Public Sector Accounting standards through 2022. These standards will impact not only your accounting policies, but also how Finance engages key stakeholders.

## Asset Retirement Obligations

PS3280 addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets and solid waste landfill sites by public sector entities. **PS3280 will apply to fiscal years beginning on or after April 1, 2021 (the City's 2022 fiscal year). Earlier adoption is permitted. Three transition options are available – retroactive, modified retroactive, prospective.**

Asset retirement activities are defined to include all activities related to an asset retirement obligation. These may include but are not limited to:

- decommissioning or dismantling a tangible capital asset that was acquired, constructed or developed
- decontamination created by the normal use of the tangible capital asset
- post-retirement activities such as monitoring
- constructing other tangible capital assets in order to perform postretirement activities

With the introduction of PS3280 PSAB has withdrawn existing Section PS3270, solid waste landfill closure and post-closure liability.

Some examples of asset retirement obligations which fall under scope of proposed PS3280 include:

- |  |  |
|--|--|
| ▪ end of lease provisions (from a lessee perspective)      | ▪ closure and post-closure obligations associated with landfills |
| ▪ removal of radiologically contaminated medical equipment | ▪ septic beds  |
| ▪ wastewater or sewage treatment facilities                | ▪ fuel storage tank removal                                      |
| ▪ firewater holding tanks                                  |  |

Under PS3280, an asset retirement obligation should be recognized when, as at the financial reporting date, ALL of the following criteria are met:

- |   |   |
|---|---|
| ▪ there is a legal obligation to incur retirement costs in relation to a tangible capital asset | ▪ it is expected that future economic benefits will be given up |
| ▪ the past transaction or event giving rise to the liability has occurred                       | ▪ a reasonable estimate of the amount can be made               |

This accounting standard will have implications for your organization if you report under the Public Sector Accounting Standards.

## Are You Ready?

1. *Has a project plan been developed for the implementation of this section?*
2. *Has Finance communicated with key stakeholders, including Council or Board on the impact of this section?*
3. *Does Finance communicate with representatives of the Public Works, Asset Management, Facilities Management or Legal functions through the financial reporting process?*
4. *Has a complete inventory been developed of all inactive or active assets or sites, to provide a baseline for scoping of potential retirement obligations?*
5. *If a complete inventory has been developed, does it reconcile back to information currently reported in the entity's financial statements for tangible capital assets or contaminated sites?*
6. *Does your entity have data on non-recorded assets or sites (ie: assets which were originally expensed on purchase, or recorded at no book value) which could have retirement obligations?*
7. *Does your entity have an active solid waste landfill site?*
8. *If yes, does your entity have an existing estimate of the full costs to retire and monitor the landfill site?*
9. *Is your entity aware of any of its buildings which have asbestos?*
10. *If so, does your entity have information to inform a cost estimate to remove/ treat the asbestos?*
11. *Is your entity aware of underground fuel storage tanks or boilers which must be removed at end of life?*
12. *If so, does your entity have information to inform a cost estimate to remove the tanks?*
13. *Is your entity aware of any lease arrangements where it will be required to incur costs to return the premises to pre-existing conditions at the end of the lease?*
14. *Has your entity determined if it has any sewage or wastewater treatment plants which have closure plans or environmental approvals which require full or partial retirement of the plant at the end of its life?*
15. *Is your entity aware of any other contractual or legal obligations to retire or otherwise dismantle or remove an asset at the end of its life?*

## Revenues

PS3400 outlines a framework describing two categories of revenue – transactions with performance obligations (exchange transactions) and transactions without performance obligations (unilateral transactions).

- This section will apply to fiscal years beginning on or after April 1, 2022, with earlier adoption permitted.
- This Section may be applied retroactively or prospectively.
- This section will not impact the present accounting for taxation revenues and government transfers.

Transactions which give rise to one or more performance obligations are considered to be exchange transactions. Performance obligations are defined as enforceable promises to provide goods or services to a payer as a result of exchange transactions. Revenue from an exchange transaction would be recognized when the public sector entity has satisfied the performance obligation(s), at a point in time or over a period of time.

If no performance obligations are present, the transaction would represent unilateral revenue, and be recognized when the public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim of economic resources.

Public sector entities will need to review their revenue recognition policies for in-scope transaction types. Impacted areas may include:

- Development charges
- Permits
- Licences
- Advertising programs



## Are You Ready?

1. *Has the entity identified any revenue-generating transactions other than taxation or government transfer revenues which create performance obligations (ie: the entity is required to provide a good or service to earn that revenue)?*
2. *If so, has the entity reviewed its accounting policies for these transactions to verify revenue is recognized only as performance obligations are being met?*
3. *Has the entity quantified the impact of any change in accounting policy, or determined that there is no impact?*

## Financial Instruments

PS3450 establishes standards on how to account for and report all types of financial instruments including derivatives.

- This Section applies to fiscal years beginning on or after April 1, 2021. Earlier adoption is permitted.
- Government organizations that applied the CPA Canada Handbook – Accounting prior to their adoption of the CPA Canada Public Sector Accounting Handbook applied this Section to fiscal years beginning on or after April 1, 2012.
- This section must be adopted with Section PS 2601, Foreign Currency Translation.
- Specific transition requirements are outlined in the section.

This section prescribes a fair value measurement framework for derivatives, and equity instruments that are quoted in an active market.

Where an entity manages risks, the investment strategy, or performance of a group of financial assets, financial liabilities or both on a fair value basis, they may also be measured at fair value.

Other financial instruments are measured at cost/ amortized cost.

Changes in the fair value of a financial instrument in the fair value category are recognized in the Statement of Remeasurement Gains and Losses as a remeasurement gain or loss until the financial instrument is derecognized.

- Upon derecognition, the remeasurement gain or loss is realized in the Statement of Operations.

## Are You Ready?

1. *Does the entity hold any financial assets which are equity or derivative instruments?*
2. *Has the entity determined if it has any embedded derivatives that might arise from existing contractual arrangements?*
3. *Does the entity have other financial assets which it assesses performance of based on fair value, and for which it might elect a fair value measure?*
4. *If yes to any of the above three questions, does the entity have readily observable market data to inform a fair value measure?*
5. *Has the entity reviewed existing financial instrument note disclosure in the financial statements to determine any required revisions to meet the requirements of this section?*
6. *Does the entity enter into transactions involving foreign exchange?*
7. *Does the entity hold any monetary assets and monetary liabilities, or non-monetary assets denominated in a foreign currency?*



[kpmg.ca/audit](https://kpmg.ca/audit)



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# City of Mississauga

## Corporate Report



<p>Date: April 13, 2020</p> <p>To: Chair and Members of Audit Committee</p> <p>From: Gary Kent, CPA, CGA, ICD.D, Commissioner of Corporate Services and Chief Financial Officer</p>	<p>Originator's files:</p> <hr/> <p>Meeting date: May 11, 2020</p>
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## Subject

**Contract Amendment for Statutory Audit Services Procurement FA.49.480-15**

## Recommendation

1. That the option to extend the existing contract with KPMG LLP for Statutory Audit Services, File Ref: FA.49.480-15, for the audit years 2020-2024 in accordance with the City's Purchasing By-law 374-06, as amended, per the report entitled "Contract Amendment for Statutory Audit Services Procurement FA.49.480-15" dated April 13, 2020 from the Commissioner of Corporate Services and Chief Financial Officer be exercised.
2. That the Purchasing Agent or designate be authorized to execute an amendment to the existing contract with KPMG LLP to increase the total contract value to \$1,552,500 and extend the contract end date to November 1, 2025, in accordance with section 18(2)(d)(i) of the City's Purchasing By-law 374-06, as amended.
3. That KPMG LLP be appointed the City's external auditors for the audit years 2020 to 2024, in accordance with the Audit Committee Terms of Reference.
4. That the amendment referred to in recommendation 2 include audits of accommodation providers as are required to enforce the Municipal Accommodation Tax (MAT) By-law.

## Background

Section 296(1) of the *Municipal Act* requires a municipality to appoint an auditor to annually audit the accounts and transactions of a municipality, and provide an opinion on its financial statements. Under the Audit Committee Terms of Reference (By-law 0069-2015), Audit Committee is responsible for making recommendations to Council on the selection and dismissing of the external auditor, reviewing the terms of engagements, fees, and scope of the audit and any non-audit services provided to the City.

## Comments

KPMG LLP has been providing the City with statutory audit services to the City of Mississauga since 1994. In November 2015 following a competitive procurement process, KPMG was awarded the current contract as the only bidder to submit a proposal. The contract was signed for a 5-year term, ending November 2020, and is subject to a renewal for a further 5-year term at the City's sole option. Staff have been pleased with the performance and professionalism of KPMG as they fulfill their obligations of the external audit process.

By-law 0023-2018, approved on April 1<sup>st</sup>, outlines an audit and inspection component to the administration of Municipal Accommodation Tax (MAT) collections. This requires the City, or an agent acting on its behalf, to perform audits on accommodation providers as required to administer and enforce the By-law. KPMG currently performs MAT audits on behalf of the City of Toronto, and are well versed in the audit procedures necessary to administer the By-law. Staff are recommending to include these MAT audits as part of the overall external audit contract with KPMG.

In order to support an extension to the existing Statutory Audit Services contract, and include the MAT audits into the scope of the services provided, an amendment to the existing contract with KPMG LLP is required. Staff are proposing to amend the existing contract that include the following:

- Extending the existing contract with KPMG for an additional 5 years, covering the 2020 to 2024 external audits
- A 4.6% increase in the cost of the external audit over the 5 year period
- Including the required MAT audits within the scope of services to be provided by KPMG.

Finance and Materiel Management staff will collaborate to establish the detailed requirements, negotiate the final arrangements and prepare the requisite forms including the contract amendment.

## Financial Impact

The costs for delivering all statutory audit services are fully funded through the City's operating budget. The costs for delivering the MAT audit services are fully funded through the Municipal Accommodation Tax revenues received. No additional funding is being requested through this report.

The current annual costs to perform the City's external audit is \$129,250. The contract value for KPMG is proposed to increase by \$906,250 to accommodate the additional 5 year extension and to incorporate MAT audits during this period. The total revised contract value.

Audit Item	2020	2021	2022	2023	2024	5-Year Total
External Audit	\$135,250	\$135,250	\$135,250	\$135,250	\$135,250	<b>\$676,250</b>
MAT Audit	\$46,000	\$46,000	\$46,000	\$46,000	\$46,000	<b>\$230,000</b>
<b>Total</b>	<b>\$181,250</b>	<b>\$181,250</b>	<b>\$181,250</b>	<b>\$181,250</b>	<b>\$181,250</b>	<b>\$906,250</b>
<b>Plus: Year 1-5 Contract Costs</b>						<b>\$646,250</b>
<b>Total Revised Contract Value</b>						<b>\$1,552,500</b>

## Conclusion

KPMG LLP has been providing statutory audit services to the City since 1994. Staff are pleased with the professionalism and quality of services provided. With the current contract ending in 2020, staff are recommending an extension to the current contract for an additional 5-year term, with an additional provision included to perform audit services in conjunction with administering the Municipal Accommodation Tax. The costs for delivering all statutory audit services are fully funded through the Finance operating budget, and the costs for delivering the MAT audit services are fully funded through the Municipal Accommodation Tax revenues received.



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

Prepared by: Wesley Anderson, Manager, Financial & Treasury Services

# City of Mississauga Corporate Report



7.4

Date: February 7, 2020

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:  
May 11, 2020

## Subject

**Status of Outstanding Audit Recommendations as of December 31, 2019**

## Recommendation

That the report dated February 7, 2020 from the City Manager & Chief Administrative Officer regarding the status of outstanding audit recommendations as of December 31, 2019 be received for information.

## Background

The terms of reference for the Audit Committee (By-law 0069-2015) requires the submission of an annual report from the City Manager and Chief Administrative Officer indicating the progress made in resolving the issues previously raised by Internal Audit and by the City's External Auditor. At the November 2011 Audit Committee meeting, members requested that bi-annual progress updates be submitted. The current report shows the status as of December 31, 2019.

## Comments

A summary of recommendations which were outstanding as of June 30, 2019 (the effective date of the previous status report to the Audit Committee) and new recommendations which were scheduled for completion from July 1, 2019 to December 31, 2019 is attached as Appendix 1.

Twenty-two (22) of the thirty-four (34) recommendations which were previously outstanding have since been completed and implementation of these recommendations has been verified by Internal Audit. Twelve (12) recommendations remain outstanding.

Detailed comments on the status of ten (10) outstanding recommendations that have been extended for more than a year are attached in Appendix 2. Of these ten (10) recommendations which are in progress, five (5) involve review and updating of business processes, four (4) relate to enhancements of computer systems and one (1) entails a review and update of a By-law.

Sixty-six (66) new recommendations that were due between July 1, 2019 and December 31, 2019 were added to the list. Thirty-nine (39) have been completed and implementation of these recommendations has been verified by Internal Audit. The remaining twenty-seven (27) recommendations are in various stages of implementation. In addition, two (2) recommendations with a due date after December 31, 2019 have been completed ahead of the scheduled due date.

## Financial Impact

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

## Conclusion

In summary, one hundred (100) recommendations were scheduled for implementation prior to December 31, 2019 (effective date of this report). Twenty-two (22) of the recommendations that were outstanding from the previous status report and thirty-nine (39) with due dates between July 1, 2019 and December 31, 2019 were completed. An additional two (2) recommendations with a due date after December 31, 2019 were completed ahead of schedule. Work continues with implementation of the thirty-nine (39) recommendations that were outstanding as of December 31, 2019 and will be closely monitored to ensure timely implementation.

## Attachments

- Appendix 1: Status of Audit Recommendations Outstanding as at December 31, 2019
- Appendix 2: Status of Audit Recommendations Outstanding and extended for more than a year as of December 31, 2019



for

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Janice Baker, FCPA, FCA, ICD.D  
City Manager and Chief Administrative Officer

Prepared by: Barb Webster, Senior Internal Auditor

STATUS OF AUDIT RECOMMENDATIONS  
OUTSTANDING AS AT DECEMBER 31, 2019

**7.4**  
**Appendix 1**

(1) Name of Audit	(2) Date Issued (MM/YY)	(3) Outstanding June 30, 2019*	(4) New **	(5) Implemented/ Resolved	(6) In Progress December 31, 2019	(7) Due After December 31, 2019 and completed ***
Mississauga Transit Union Payroll	08-14	1		1		
F&PM Current Maintenance Contracts	10-15	2			2	
Mississauga SportZone Cash Handling	01-16	1			1	
F&PM Capital Maintenance Contracts	02-17	1		1		
MFES Building and Fleet Maintenance	04-17	2		1	1	
CLASS Facility Rentals	08-17	5		2	3	
Works Operations Payroll	08-17	3		1	2	
MiWay Transit Maintenance	11-17	4		4		
Food Services	11-17	3		3		
CLASS - Memberships and Registrations	09-18	7		7		
Office Supplies Contract	10-18	1		1		
Single, Sole Source and Emergency Acquisition	10-18	1			1	
Non-Union Payroll	04-19	1	12	6	7	
Street Lighting Program	04-19	2	10	3	9	
2018 KPMG Management Letter	04-19		3	3		
Library Acquisitions	04-19		5	2	3	
Infrastructure Services IT Hardware	09-19		13	9	4	1
Cashiers Operations	09-19		17	14	3	1
Traffic Signals & Systems Program	11-19		3	2	1	
Stormwater Revenue	11-19		3	1	2	
<b>TOTAL</b>		<b>34</b>	<b>66</b>	<b>61</b>	<b>39</b>	<b>2</b>

\* This column includes recommendations which were originally scheduled for implementation on or prior to June 30, 2019 (effective date of the previous status report to Audit Committee).

\*\* This column includes recommendations which were originally scheduled for implementation between July 1, 2019 and December 31, 2019 (effective date of the current status report to Audit Committee).

\*\*\* This column indicates recommendations which were originally scheduled to be implemented after December 31, 2019 but have already been completed.



STATUS OF AUDIT RECOMMENDATIONS  
OUTSTANDING AND EXTENDED FOR MORE THAN A YEAR  
AS OF DECEMBER 31, 2019

Audit	No. of Recommend- ations	Rec. #	Comments/Status
<b>Review and Update of Business Processes</b>			
2016 Mississauga SportZone Cash Handling	1	11	In progress. Corporate Security has taken the lead on finalizing a policy for the handling of found and unclaimed property that has come into the custody of the City. Procedures will then be amended to reflect the City policy. Expected to be completed by mid-2020.
2017 CLASS Facility Rentals	3	4, 5, 9	In progress. Business processes are being developed, documented and approved. Targeting completion for all recommendations before year-end 2020.
2017 Works Operations Payroll	1	14	In progress. Records staff is working with Works yards to ensure correct filing system is used to ensure uniformity throughout, and that retention schedules are complied with. To be completed by end of 2020.
<b>Review and update of a By-law</b>			
2018 Single, Sole Source and Emergency Acquisition	1	8	In progress. A committee was formed to review and rewrite the by-law. Section 18 of the by-law will be changed to a policy. By-law is expected to be ready in June 2020.
<b>Enhancement of Computer System</b>			
2015 F&PM Current Maintenance Contracts	2	4, 7	In progress. F&PM Service Request mobile application was launched in late 2019. Due to a re-organization in Information Technology which created a resource issue in IT, the launch date for the final segment has been delayed to Q1 of 2020.
2017 MFES Building and Fleet Maintenance	1	11	In progress. An inventory tracking solution is being developed in SharePoint by Information Technology which is expected to be complete March 2020.
2017 Works Operations Payroll	1	11	In progress. Working with IT to resolve issues entering time with correct job class. Expected to be completed by June 2020.
<b>Total</b>	<b>10</b>		

# City of Mississauga Corporate Report

Date: April 20, 2020

To: Chair and Members of Audit Committee

From: Luis H. Souza, CPA, CMA, CIA  
Director, Internal Audit

Originator's files:

Meeting date:  
May 11, 2020

## Subject

**2019 – 2020 Internal Audit Work Plan Report**

## Recommendation

That the report dated April 20, 2020 from the Director, Internal Audit with respect to the 2019-2020 Internal Audit Work Plan be approved.

## Report Highlights

- A three-year Internal Audit work plan (for 2018 to 2020) was approved by the Audit Committee on March 5, 2018. An update regarding the progress of the plan was provided to the Audit Committee at its meeting on March 4, 2019.
- At the end of 2019, three (3) audits were in various stages of completion and were carried over to 2020.
- The work plan for 2019/2020 has since been amended slightly due to changes in the risk profile of the planned audits and a temporary shortage of resources available in Internal Audit during the second part of 2019 and the start of 2020.

## Background

The Terms of Reference for the Audit Committee (By-law 0069–2015) states that the Committee shall review the “work plan, staffing and budget of Internal Audit” to ensure that the audit work plan is compatible with corporate objectives and priorities. The Internal Audit Charter (By-law 0065-2013) requires the Internal Audit Division to develop “a flexible audit plan using an appropriate risk-based methodology, including any risk or control concerns identified by management, and submit that plan to the Audit Committee for review and approval as well as periodic updates.” A three (3) year work plan for 2018 to 2020 was approved by the Audit Committee on March 5, 2018, and an update on its progress was provided to the Audit Committee on March 4, 2019.

This report provides information on the status of the audits and proposed changes to the work plan for 2019/2020, as well as consulting projects that are ongoing.

## Comments

### 1. Progress of the 2019/2020 Work Plan

The 2019/2020 work plan, as approved by the Audit Committee, included 22 projects, being 3 initiated in late 2018, 10 planned for 2019 and 9 planned for 2020. Of these projects, nine (9) have since been completed (one of which was changed to a consulting review) and three (3) are nearing completion. The IT Capital Projects Audit was rescheduled to 2020, while the Prestocard Revenue audit was moved forward to 2019. The ePlans audit was initiated; however, during the initial planning work, a review of its risk profile and the existence of plans for implementing a significantly different version of the underlying technology resulted in changing this audit into a consulting project, which is expected to be resumed in the second part of 2020.

### 2. Further Changes to the 2020 Internal Audit Work Plan

The events explained above left 9 audits to be executed in the year 2020. This year, however, is atypical due to being the last year of the original 3-year plan approved in 2018. A new 3-year audit work plan for the period 2021-2023 needs to be prepared, which demands the execution of a new Corporate Risk Assessment. While such exercise is fundamental to ensure that Internal Audit is applying its resources where most value can be achieved, it is a resource-intensive process, demanding the equivalent of 1 FTE dedicated for several months.

Due to the above, and also due to staff shortages in 2019/2020 and delays resulting from the Covid-19 pandemic, previously planned reviews regarding 2019 Investments and Fire Payroll were deemed to present relatively lower risks and were taken out of the current cycle. They will be revisited for potential inclusion in the aforementioned 2021-2023 Audit Work Plan, which will be prepared based on the 2020 Corporate Risk Assessment to take place mid-year.

The final 2020 Internal Audit Work Plan includes completing the 4 projects in progress and initiating 7 new audits. The work plan is contingent on the resources available to Internal Audit and any special requests that may be made.

### 3. Consultative Services and Special Assignments

The Internal Audit Work Plan must remain flexible in order to accommodate consulting requests and special assignments. In 2018 and 2019, approximately 15% and 23% of available audit time was spent in these areas, respectively. Internal Audit is committed to promoting a proactive and collaborative approach to assist management in identifying and mitigating risks. Internal Audit is currently involved in a number of corporate initiatives including; a review of the

CLASS to ActiveNet replacement project, the Sustainability Accounting project, and review and feedback on various Corporate Policies and Procedures.

## Financial Impact

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

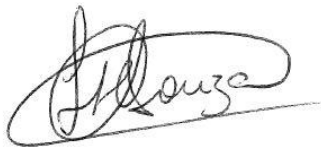
## Conclusion

The third year of the 2018 to 2020 Internal Audit Work Plan is now well underway. Three (3) of the audits that commenced towards the end of 2019 are nearing completion. The 2019/2020 Work Plan has been updated to incorporate and reflect changing needs, priorities and resource allocations. The work plan must remain flexible in order to rebalance the listed projects to consider requests from the Audit Committee, consulting requests from Management and special reviews and expansion of audit scope.

Specific projects for each of the two years are listed in Appendix 1. A progress report will be provided to the Audit Committee at its December 7 meeting and the new 3-year work plan will be presented at the March 2021 meeting.

## Attachments

Appendix 1: 2019/2020 Internal Audit Work Plan Report by Service Area



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Luis H. Souza, CPA, CMA, CIA  
Director, Internal Audit

Prepared by: Luis H. Souza, Director, Internal Audit

## Appendix 1

**2019/2020  
Internal Audit Work Plan  
Audits by Service Area**

Page 1 of 2  
updated Apr. 20, 2020

Service Area	2019/2020			Previous Audit(s)
	Completed	Work in Progress	To be Initiated	
Stormwater				
	Stormwater Revenue			New
Business Services				
	2018 Investments			Annual
	Corporate Payroll (Non-Union Permanent and Temporary Staff) (2018)			2006, 2007 (Overtime – 2015)
	Cashiers Operations			2002
	Print Shop Operations (Changed to Consulting)			New
			Procurement Card (PCard)	New
			Human Resources Recruitment Process	New
Roads				
	Streetlighting Program (2018)			2011
		Sign Shop		New
	Traffic Signal Program			2005
			Paid Parking	2005, 2013
			Works Maintenance Contracts	2004, 2015
Mississauga Transit (MiWay)				
		Prestocard Revenue		2012

## Appendix 1

**2019/2020  
Internal Audit Work Plan  
Audits by Service Area**

Page 2 of 2  
updated Apr. 20, 2020

Service Area	2019/2020			Previous Audit(s)
	Completed	Work in Progress	To be Initiated	
Fire and Emergency Services				
		Fire Fleet Acquisition		New
Mississauga Library System				
	Library Acquisitions (2018)			2011
Information Technology				
	IT Hardware			2013
			IT Capital Projects	2005
			IT Security - NIST	2017 - Review
Land Development Services				
		e-Plans (Changed to Consulting)		New
			Building Inspections	New
TOTAL	9	4	7	

## Notes:

1. This work plan is prepared based on the resources that are currently available to the Internal Audit Division. Changes to the work plan may be necessary if there are significant changes to the level of resources.
2. This work plan may be changed to accommodate requests from the Audit Committee, City Manager and Leadership Team or to allow expansion of audit scope where deemed appropriate by the Director, Internal Audit.
3. Due to staff shortages in 2019/2020 and delays related to the Covid-19 pandemic, **previously planned reviews regarding 2019 Investments and Fire Payroll**, which were deemed to present relatively lower risks, **were taken out of the current cycle**. They will be revisited for potential inclusion in the 2021-2023 Audit Work Plan, which will be prepared based on the 2020 Corporate Risk Assessment.
4. Some of the projects will commence towards the end of the calendar year and may be carried forward to the following year.