

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 22nd 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 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 30th, 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 4th to May 11th. 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.

Attachments

Appendix 1: 2019 Audited Financial Statements

Appendix 2: 2019 Financial Year in Review



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

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