

City of Mississauga
Corporate Report



<p>Date: April 15, 2024</p> <p>To: Chair and Members of Audit Committee</p>	<p>Originator's files:</p>
<p>From: Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer</p>	<p>Meeting date: May 13, 2024</p>

Subject

2023 Audited Financial Statements

Recommendation

That the corporate report dated April 15, 2024 entitled "2023 Audited Financial Statements" from the City Manager and Chief Administrative Officer be received for information.

Executive Summary

- One of the fiduciary responsibilities of the Audit Committee is to review the annual financial statements and audit results.
- The audited financial statements have been reviewed and approved by the Director of Finance and Treasurer, and the City Manager and Chief Administrative Officer.
- This report presents the 2023 Financial Statements for:
 - City of Mississauga (consolidated)
 - City of Mississauga Trust Funds
 - City of Mississauga Public Library Board
 - Tourism Mississauga
 - Clarkson Business Improvement Area
 - Port Credit Business Improvement Area
 - Streetsville Business Improvement Area
 - Cooksville Business Improvement Area
 - Enersource Corporation
- The Malton Business Improvement Area has not completed their audit at the time of this report being published.

Background

Section 294.1 of the *Municipal Act, 2001* requires municipalities to prepare financial statements in accordance with generally accepted accounting principles for local governments, as recommended by the Public Sector Accounting Board of Chartered Professional Accountants (CPA) Canada. The *Municipal Act, 2001* also specifies that the municipality must appoint an auditor licensed under the *Public Accounting Act, 2004* to annually audit and express an opinion on the financial statements.

The Finance Division is responsible for the preparation of the annual financial statements. The City's external audit firm, KPMG LLP, reports to Audit Committee by expressing an opinion on the City's financial statements. One of the fiduciary responsibilities of Audit Committee is to review the annual financial statements and audit results. KPMG is in the ninth year of a ten-year contract, for the years ending 2015 through 2024.

Comments

KPMG has completed its audit of the City's financial statements which fully comply with public sector accounting standards as set out by CPA Canada. As per the independent auditor's report in Appendix 1, KPMG has rendered an opinion that the City's financial statements present fairly, in all material respects, its financial position as of December 31, 2023. The financial statements have been approved by the Director of Finance and Treasurer, and the City Manager and Chief Administrative Officer.

The Consolidated Financial Statements provide information on the cost of City activities, how they were financed, investing activities, and the City's assets and liabilities. The information also reflects the full nature and extent of the City's financial affairs in a way that is similar to private sector financial statement presentation. The financial statements are comprised of all organizations, committees and local boards accountable to the City for the administration of its financial affairs and resources which are owned or controlled by the City. The consolidated entities include the five Business Improvements Areas, the Mississauga Library Board, Tourism Mississauga, and Enersource Corporation.

The Malton BIA Audit has not been completed to date. As a result, their 2023 results have been consolidated at the 2023 budget values and will be readjusted during the 2024 City consolidation. KPMG confirmed this approach as there is no material financial impact on the City's Consolidated Financial Statements.

New Accounting Standards

The Public Sector Accounting Board introduced two new standards that were effective in the 2023 reporting year for the City; Asset Retirement Obligation and Disclosure of Financial Instruments.

For Asset Retirement Obligations, the City has legal obligations associated with the retirement of buildings, equipment, and lease agreements. The City recognizes these obligations to retiring tangible capital assets from service in the period in which the obligation arises, which is typically upon the acquisition or development of the asset, or when a reasonable estimate of the obligation can be made. Asset retirement obligations must be reviewed each year for new obligations and/or changes in existing obligations. This liability is reported in the Statement of Financial Position with the City recording a \$15 million liability for Asset Retirement Obligations in 2023. Any changes in that liability flows through the Statement of Operations as an expense.

The City must also now disclose its methods for reporting financial instruments. These can be found in Notes 1q and Note 5 in the financial statements. Financial instruments include cash, investments, taxes receivable, accounts payable and long-term debt. The City recognizes all of these instruments at cost, and not at fair market value. No changes to the financial statements were required in 2023, other than note disclosures.

A minor restatement for a loss of \$292,000 on the Consolidated Statement of Operations for Other Comprehensive Income from Enersource. In 2023, new PSAB accounting changes required that Other Comprehensive Income be reclassified to the Consolidated Statement of Financial Position as an Accumulated remeasurement gain/loss and excluded from the share of net income in Enersource. Other Comprehensive Income can be described as including revenues, expenses, gains, and losses that have yet to be realized. These are now excluded from net income and reported on the Consolidated Statement of Financial Position as an accumulated remeasurement gain/(loss).

Reconciliation between the Business Plan & Budget and the Audited Financial Statements

The City prepares two main sets of financial documents annually: the Business Plan & Budget and the financial statements.

The Business Plan & Budget document is a spending control document, a revenue rate-setting document and the means to calculate a property tax levy, as specified in sections 290 and 312 of the *Municipal Act, 2001*. The Business Plan & Budget is prepared using a modified accrual basis of accounting. In contrast, the City's financial statements are prepared under the accrual basis of accounting and public sector accounting standards, which create significant differences between both documents. The main differences include:

- Certain revenues and expenses, such as contributed assets received through development, or changes in employment and other liabilities, are not included in the budget, but are in the financial statements.
- In the Business Plan & Budget, transfers in or out of the operating fund or capital fund from reserves are recorded as either revenues or expenses; these transfers are not recorded as revenues or expenses in the financial statements.

- Liabilities are fully recognized in the financial statements, but are not fully funded in the Business Plan & Budget, as these are an estimate of future possible expenditures. Levying an amount to fully fund liabilities would significantly increase the tax levy.
- The Business Plan & Budget does not provide for amortization, although it does set aside funds in reserves to pay for the future renewal of City infrastructure.

Note 21 of the Consolidated Financial Statements reconciles the approved operating and capital budget with an adjusted budget reported in the financial statements. Beginning with the 2023 Business Plan & Budget, the City presents a full accrual-based budget to accompany the operating and capital budgets.

Annual Financial and Sustainability Report and Annual Report Highlights

The year in review outlined in Appendix 10 provides detailed information and analysis on the financial statements and its results. To complement the financial statements, the 2023 Annual Financial and Sustainability Report and the 2023 Financial Report Highlights Report provides a comprehensive review of the City's accomplishments, activities and financial performance in the previous year. These documents will be posted on the City's website early this summer.

The Financial and Sustainability Report provides an overview of the City's progress in sustainability related initiatives, including voluntary disclosures through the Task Force on Climate-Related Financial Disclosures (TCFD). Sustainability accounting and reporting is an emerging trend in financial reporting, and the City has completed a number of initiatives to support its adoption. Over the coming years, it is expected that sustainability-related disclosures, such as the unaudited natural assets note disclosure presented in Note 28 of the financial statements, will become mandatory in the future.

Enersource Corporation

As outlined in Note 6 of the Consolidated Financial Statements, the City has a 90 per cent interest in Enersource Corporation, which is accounted for on the modified equity basis. Enersource holds a 29.57 per cent interest in Alectra Inc., whose primary businesses are to distribute electricity to customers in the greater golden horseshoe area. Enersource Corporation's audited financial statements are presented in Appendix 9.

The City's 90 per cent interest in Enersource Corporation in 2023 is \$522.7 million (2022 \$505.4 million), an increase of \$17.3 million and is reported as a financial asset on the Consolidated Statement of Financial Position. The year over year increase relates to the difference between \$18.6 million in dividends paid to the City from Enersource, and the \$36.2 million in net income earned by the Corporation.

Financial Impact

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

Conclusion

The City's 2023 Audited Financial Statements provides information on the cost of City activities, how they were financed, investing activities, and the City's assets and liabilities. The information also reflects the full nature and extent of the City's financial affairs.

Attachments

- Appendix 1: 2023 Audited Consolidated Financial Statements
- Appendix 2: 2023 City of Mississauga Trust Funds Audited Financial Statements
- Appendix 3: 2023 City of Mississauga Public Library Board Audited Financial Statements
- Appendix 4: 2023 Tourism Mississauga Audited Financial Statements
- Appendix 5: 2023 Clarkson BIA Audited Financial Statements
- Appendix 6: 2023 Port Credit BIA Audited Financial Statements
- Appendix 7: 2023 Streetsville BIA Audited Financial Statements
- Appendix 8: 2023 Cooksville BIA Audited Financial Statements
- Appendix 9: 2023 Enersource Corporation Audited Financial Statements
- Appendix 10: 2023 Financial Year in Review

*2023 Malton BIA Audited Financial Statements excluded due to delay in audit.



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