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Board (PSAB), these funds are no longer individually reported in the consolidated financial statements and have been replaced by Accumulated Surplus.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
Total Accumulated Surplus	**9,046,065**	**8,909,574**

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%)
Total Financial Assets		**1,974,660**	**1,776,462**	**198,198**	**11%**

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%
Total Financial Liabilities		**1,186,469**	**1,058,170**	**128,299**	**12%**

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%
Total Non-Financial Liabilities		**8,257,874**	**8,191,282**	**66,592**	**1%**

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	-
Total Revenues		**1,095,906**	**860,199**	**1,062,607**	**235,707**	**27%**	**33,299**	**3%**

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 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, 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 1st, 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%)
Total Expenses		**959,415**	**897,694**	**938,512**	**61,721**	**7%**	**20,903**	**2%**

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.